Copenhagen Business School
HANDELSHØJSKOLEN

A case study of the qualitative impacts of a private regulation mechanism on Kenyan exporters and smallholders

IMPACTS OF THE GLOBALGAP STANDARD

Supervisor
Assistant professor
Lotte Thomsen

Authors
Anne Lind
Mads Pedersen

Msc International Business and Politics
April 2011
STU: 260.805

ACKNOWLEDGEMENTS

This dissertation is written to finalise the master's programme International Business and Politics at Copenhagen Business School, Denmark. The dissertation would not have been possible without the essential support of a number of people.

Field research necessarily relies upon the good will of respondents and we wish to deeply thank all the accommodating people that have helped us conduct our field research in Kenya. We especially want to show our gratitude to Bjarne Christensen for providing us with all the initial contacts in Kenya and thereby making our study possible. We also want to thank our supervisor, Lotte Thomsen (Department of Intercultural Communication and Management, Copenhagen Business School), for her encouragement and profound interest in the topic and for providing us with valuable and constructive suggestions during the whole process. Furthermore, we are grateful for the crucial help provided by Amalie Hauge-Helgestad, Nana S. Heltberg and Mikael Olesen in the strenuous stage of finalising the dissertation. The case study of the impacts of the GlobalGAP in Kenya would not have been possible without the financial support of the Danida Fellowship Centre (DFC) and the Oticon Foundation.

EXECUTIVE SUMMARY

The GlobalGAP standard is a private food safety standard developed to regulate production processes at farm level. The main aim of the standard is to ensure that all agricultural products by certified producers are handled in a manner safe for the end consumers, the producers and the environment. Since its emergence in 1997 the GlobalGAP standard has gained momentum and still more European retailers expect their suppliers to adhere to its requirements. The GlobalGAP standard is thus influencing the premises of trade in the global horticultural value chain. In this dissertation we explore how the GlobalGAP has emerged and is incorporated as a regulation mechanism and how it affects exporters and smallholders in Kenya.

The GlobalGAP standard is developed by the agri-food industry itself as a regulation mechanism to supplement existing national and international legislation. In this dissertation we analyse the context of the emergence of the GlobalGAP. By applying the theoretical global governance approach, we argue that the GlobalGAP standard has emerged in order to fill out a vacuum caused by the lack of transnational legislative bodies to govern the globalised trade of today. The GlobalGAP transcends EU regulations in order for the European retailers to meet the dynamic preferences of modern consumers. Additionally, we use the analytics of government approach to show how the GlobalGAP standard works as an advanced means of public regulation that utilises the existing driving force of the private agri-food industry to achieve the goal of providing safe and high quality foods for the consumers.

The GlobalGAP standard affects the terms on which the trade between the different actors in the horticultural value chain takes place. Two case studies conducted in Kenya constitute the main empirical foundation for the dissertation's exploration of these effects. The case studies consist of observations, interviews and document research with respectively a large Kenyan exporter and a small Kenyan exporter and their affiliated smallholder groups. The analysis shows how the incorporation of the GlobalGAP standard in the global horticultural value chain facilitates an easier coordination and communication between the European buyers and the Kenyan exporters. The GlobalGAP provides a language and a clearly defined set of requirements, which constitute a shared frame of reference for the two parties. This point is especially relevant in the case of the small exporter, who through the GlobalGAP certification is able to demonstrate the quality of its produce and thus attract new European buyers. The large exporter on the other hand has less of a benefit

from signalling the GlobalGAP certification of its produce, as it already has tight connections to the UK market.

While providing some benefit to the Kenyan exporters, we argue that the European buyers' demand for GlobalGAP certified products leaves the exporters with an increased amount of risk: It becomes the responsibility of the exporters to make sure that the Kenyan smallholders of whom they buy some of their produce comply with the GlobalGAP standard. This entails investments and ongoing support from the exporters to the smallholders, while the European buyers experience an easier trade and no increased risk or workload. This consequently cements the buyer-driven dominance of the global horticultural value chain.

For the smallholders the implementation of the GlobalGAP standard has comprehensive consequences. This dissertation shows how compliance to the GlobalGAP standard causes a change of not only the smallholders' farming practices, but of the smallholders' mindsets as well. The smallholders internalise the values and practices of the GlobalGAP and make them their own, and they adopt the group structure enforced by the GlobalGAP in the way their local communities are organised. Additionally, the exporters' investments in the smallholders' GlobalGAP certification place the smallholders in a subordinated position to the exporters disabling the smallholders of freely choosing to whom they want to sell.

With its qualitative and explorative point of departure this dissertation provides new knowledge about the GlobalGAP as a regulation mechanism and its consequences throughout the horticultural value chain. With this contribution the dissertation constitutes the basis for further research on the consequences of the implementation of the GlobalGAP standard in developing countries and for discussions about the role of private regulation mechanisms in defining the future of the horticultural sector in developing countries.

CONTENTS

LIST OF FIGURES, TABLES AND ILLUSTRATIONS

ABBREVIATIONS AND DEFINITIONS

ABD COMPONENT Agricultural Business Development Component. A DANIDA component in the Agricultural Sector Programme Support in Kenya.

EUROPEAN BUYERS As the scope of this dissertation is limited to the Kenyan level of the global horticultural value chain European retailers, importers and wholesalers are fused into the term 'European buyers'.

EUREPGAP The forerunner to GlobalGAP. EurepGAP was initiated in 1997 by retailers belonging to the Euro-Retailer Produce Working Group (EUREP). In 2007 EurepGAP changed name to GlobalGAP.

GAP Good Agricultural Practices are practices that address environmental, economic and social sustainability for on-farm processes, and result in safe and quality food and non-food agricultural products (FAO, 2011). A multiplicity of GAP codes, practices and standards have been developed by the food industry and producer organisations as well as governments and NGOs.

GLOBALGAP The GlobalGAP is both the name of a standard and the organisation that administrate the standard. The standard defines good agricultural practices.

MRL Maximum Residue Level. Pesticide residue level is monitored with reference to MRLs - the maximum allowed level.

PRE-FARM GATE STANDARDS Standards that cover the production process from farm inputs like feed and seedlings and all the farm activities until the produce leaves the farm.

SMALLHOLDERS Small scale farmers in this dissertation producing horticultural products for further export. The smallholders occupy small plots of land of about ½ - 2 acres.

TA Technical Assistants. Used by both Exporter 1 and 2 to train, advice and monitor their related smallholders.

Map of Kenya

1. INTRODUCTION

This dissertation addresses the highly pertinent issue of global horticultural standards and their effect on the actors in the global value chain. The subject of the dissertation is the GlobalGAP standard, a standard that is used in the agri-food industry to ensure safe products by requiring conformity to good agricultural practices as defined in the standard. Through the theoretical approaches of global governance and analytics of government we critically examine the GlobalGAP standard as a regulation mechanism, how it is incorporated in the governance of the global horticultural value chain as well as the consequences it has for Kenyan smallholders and exporters. Empirically the dissertation is mainly based on case study research conducted in Kenya in November and December 2010. This includes interviews with Kenyan exporters and smallholders, agricultural consultants, donor officials, the GlobalGAP Secretariat and industry representatives in Kenya. This first chapter presents the research field of our dissertation.

1.1 STANDARDS AS A MEANS OF REGULATION IN GLOBAL HORTICULTURAL TRADE

In the spring of 2009 the three Scandinavian countries Denmark, Sweden and Norway all witnessed *shigella dysenteriae* contamination of sugar snaps imported from Kenya (Löfdahl et al., 2011). Numerous citizens turned ill and retailers and public authorities reacted promptly: The product was withdrawn from the supermarket shelves and government agencies prohibited further sale, publicly advised costumers to avoid the product, and imposed sales restrictions on sugar snaps from Kenya for months. This is only one example of the fact that food safety has become a major concern during the last twenty years. Scandals of different scales from the Scandinavian sugar snap incidence to huge food scandals, such as poultry salmonella, beef hormone and BSE ('mad cow' decease) have put the issue of food safety on the agenda of all industrialised countries (Humphrey, 2008). The level of attention that food safety receives in Denmark is reflected in the number of requests for clarification that the Danish Veterinary and Food Administration receives on a weekly basis: More than a thousand concerned consumers and producers contact this government agency every week to seek clarity on the contents of food (Vigsø, 2011).

The agri-food industry and government authorities are continuously struggling to address the subject of food safety. It is however a highly controversial issue as the trade of agricultural products increasingly crosses borders and continents while involving various actors. European government institutions have no authority with the ways in which production takes place in foreign countries like Kenya, and are restricted by the World Trade Organisation's Sanitary and Phytosanitary (SPS) and

Technical Barriers to Trade (TBT) agreements. Hence, in order to address the problem of food safety new tendencies emerge. As per January 2011 COOP Trading, the largest purchasing company in Scandinavia, requires that all agricultural products sold in its outlets are to conform to the GlobalGAP standard[1]. Compliance to the GlobalGAP is a trend reflected in the retail industry across the whole of Europe. The large United Kingdom (UK) retailers – Tesco, Sainsbury's and Marks and Spencer – have for a couple of years required all agri-food products to comply with the GlobalGAP standard to get shelf space.

The GlobalGAP standard, thus, becomes the crucial entry requirement for participation in the global horticultural value chain. The horticultural sector in Kenya is aware of the urgency of implementing the standard into its production practices in order to maintain its access to the European market. It needs to comply with the GlobalGAP standard and ensure that incidences like the sugar snap crisis belongs to the past. A general manager of a Kenyan exporting company comments:

> *...I'm convinced that if we don't hit this on the head now, you know, basically the whole of Europe - forget it. They will go elsewhere [import from other countries]. We are actually close to that I think. You know, because France has almost shut down Kenya and the same goes for Germany* (Interview Exporter 1, 2010, l. 497-99).

The general manager indicates that food safety is an issue that is taken extremely seriously at the local level. Compliance to the GlobalGAP standard is now pivotal and consequently prioritised greatly in the Kenyan horticultural exporting sector, but how do the Kenyan smallholders and exporters cope with the new production requirements? How is the standard incorporated in the governance of the horticultural value chain? How does the standard affect the coordination between the European buyers and Kenyan exporters and smallholders? Does compliance to the standard improve and diversify Kenyan exporting options? Will it undermine their industry? With this dissertation we address these highly relevant issues.

KENYAN HORTICULTURE

Agriculture in general and horticulture in particular is an extremely important source of income for the poverty stricken country of Kenya. Kenya is a big exporter of horticultural products to the European market (especially the UK) and has been so for many years ((Dolan et al., 1999); (Dolan & J.

[1] The GlobalGAP standard is one among many standards operating in the field of food safety. It has similarities to the internationally recognised Hazard Analysis and Critical Control Points (HACCP), an approach that through prevention of chemical, biological and physical hazards seeks to ensure food safety. Whereas the HACCP is implemented at all stages of food production, including packaging and distribution, the GlobalGAP standard only applies to the production process at farm level from farm inputs and farm activities until the product leaves the farm. Along with the GlobalGAP and HACCP a number of other private standards seek to regulate the agricultural sector. These include the British Retail Consortium (BRC), the Fair Trade Organisation (FLO), a number of organic standards and the ISO 22000, just to mention a few.

Humphrey, 2004); (Humphrey 2008)). Besides contributing to the domestic development, horticulture is also a means of achieving equity and improving the welfare of the Kenyan population, as many people in poverty stricken areas can generate an income from this line of work. The importance of horticulture in Kenya and Kenya's relative success within horticultural exports, thus, make an interesting setting for exploring the impact of the GlobalGAP standard.

GLOBALGAP – A PRIVATE REGULATION MECHANISM IN THE GLOBAL HORTICULTURAL VALUE CHAIN

It is an interesting and still more common phenomenon that regulation in the form of private standards becomes *the* entry requirement to participation in global markets ((Vogel, 2007); (Humphrey 2008)). The GlobalGAP standard is an exclusively privately developed food safety standard that regulates the production processes at farm level. The main aim of the standard is to ensure that all agricultural products by certified smallholders and other producers are handled in an utmost safe manner. Furthermore, the GlobalGAP standard formulates requirements to environmental sustainability and workers' safety (GlobalGAP (1), 2011). Since its emergence in 1997 the standard has gained momentum and is increasingly applied throughout agricultural value chains as more and more of the European retailers are requiring their suppliers to comply with it. Only industry actors can be members of and involved in the standard setting procedures in the GlobalGAP organisation. The phenomenon of standards is a type of regulation that Vogel (2007) defines as 'civil regulation'. Defining features of civil regulation are 1) that its legitimacy, governance and implementation are not rooted in public authority, and 2) that violators of this regulation typically face social or market penalties rather than legal sanctions. Nadvi (2008) describes standards within food safety as widely accepted benchmarks that transmit information to buyers or end-users about a product's technical specifications, the product's compliance with health and safety criteria or the processes by which it has been produced. Standards are thus important in promoting safety as well as economic efficiency, as they provide a basis for reducing information related transaction costs, in the case of the GlobalGAP standard, within the horticultural value chain as the standard clearly defines the do's and don'ts of horticultural production.

Acknowledging standards' increasing influence gives rise to the question: How do the standards affect the global value chain and the actors it involves? This dissertation aims at contributing to the growing body of literature that addresses this question ((Humphrey, 2008); (Dolan & Humphrey, 2004); (Nadvi, 2008)). The global governance approach constitutes an interesting approach to deal with this issue. This is specifically the case for the global value chain (GVC) analytical framework which has emerged as a framework to address new governance mechanisms and understand the

dynamics of globalisation and international trade ((Gereffi et al., 2005); (Nadvi, 2008); (Humphrey, 2006)). The approach claims that the global economy is made up of distinct, product-specific value-chains where companies are linked in integrated systems of input supply, trade, production and final marketing and sale (Gibbon & Ponte, 2008). Each of these roles is defined as nodes in the chain. The fact that companies are linked in integrated systems in global value chains entails that each node in the chain is influenced by the actions of other nodes – such as one nodes' decision to require compliance to a horticultural standard from its suppliers. The global value chain framework makes it possible to explore the ways in which the GlobalGAP standard is used in the governance of the global horticultural value chain.

The integration of standards as means of regulation in the global value chain can be interpreted as a consequence of the emergence of a new rationality. The social constructivist 'analytics of government' approach makes it possible to describe the governance related to this new rationality and to analyse the ways in which government applies different forms of power in order to achieve its goals.

The GlobalGAP standard and its impact on the Kenyan horticultural sector has previously been scrutinised by academia ((IIED and NRI); (Humphrey 2008))[2]. With this dissertation we complement the previous studies, which have primarily had a quantitative approach and focused on cost-benefit analyses, with a more in-depth exploratory research into the ways in which the GlobalGAP standard affects the operations of Kenyan smallholders and exporters and the coordination in the horticultural value chain. Through a qualitative approach we hope to ascertain previously unrecognised consequences of the GlobalGAP standard on the Kenyan upstream actors and shed light on what it takes for the horticultural sector in an African country to participate in global trade.

[2] The three year cooperation between the International Institute for Environment and Development (IIED), the Natural Resources Institute (NRI) and the Department for International Development (DFID) is a research study on the subject of private standards and horticultural exports (www.agrifoodstandards.net). This study explores opportunities for more favourable outcomes for smallholders in developing countries participating in international horticultural value chains given the impact of private standards, one of them being the GlobalGAP standard. The study looks at the ways in which standards are implemented at smallholder level, what the costs and benefits are and the degree of exclusion of smallholders from horticultural export. Another study conducted by John Humphrey in 2008 has similarities with the IIED and NRI study, but extents its focus to look at how donor policy has responded to the challenges of smallholders and an evaluation thereof. Common for both studies is their focus on donor interventions and quantitative cost-benefit analyses focussing on the smallholders.

1.2 RESEARCH QUESTION AND SUB-QUESTIONS

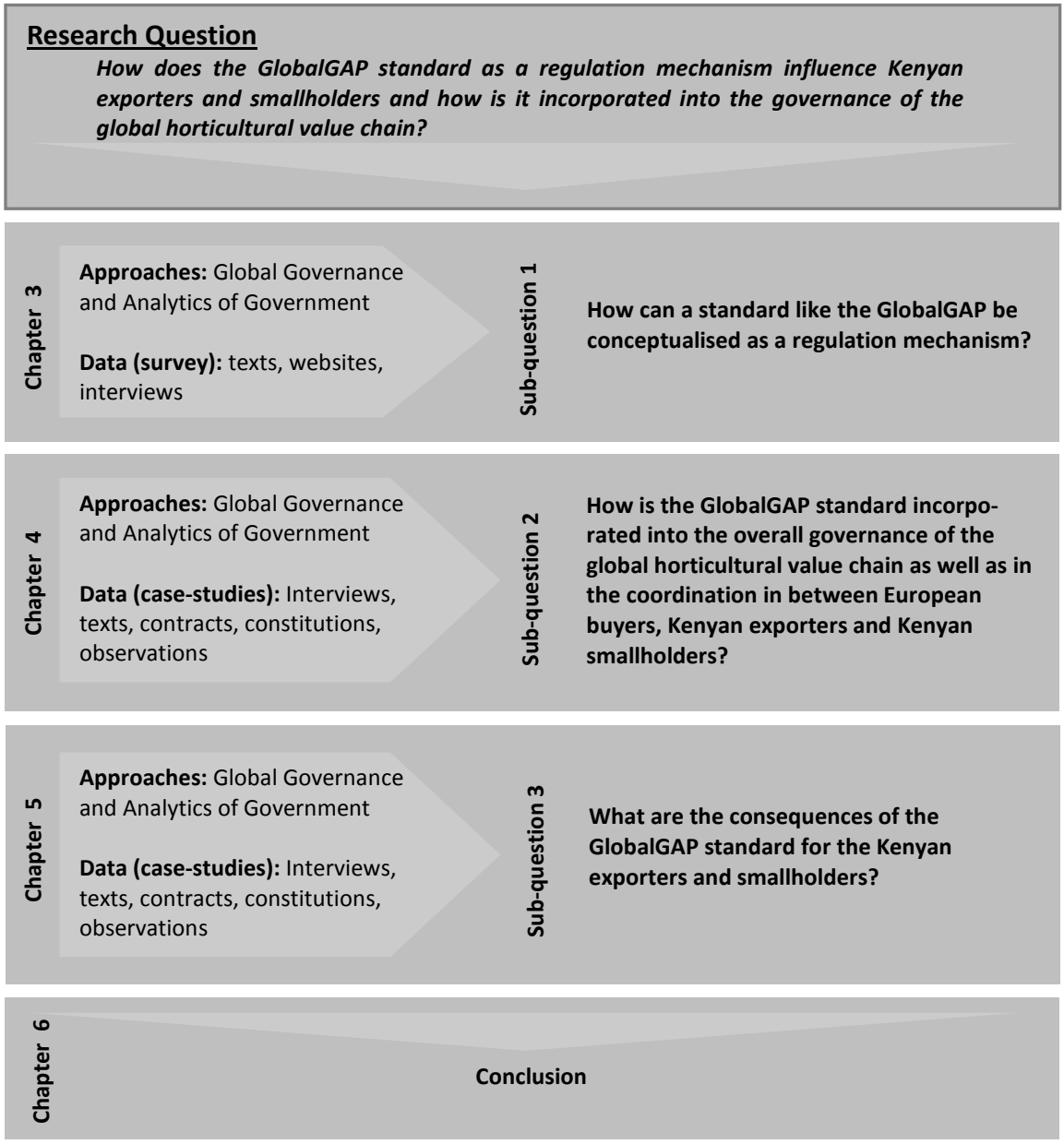

Figure 1: Research question and the three successive analytical steps constituting the design of this dissertation

As illustrated in the above figure, the dissertation's research question is answered through three successive analytical steps each revolving around a sub-question. 'The GlobalGAP standard', 'smallholders' and 'exporters' are empirical entities which we will look at in this dissertation informed by theoretical concepts such as 'regulation mechanism', 'value chain', 'governance' and 'coordination'. We approach our field of research drawing on qualitative methods of data collection and data analysis in order to obtain and explain experiences directly in relation to the phenomenon of the GlobalGAP standard. In the following we present the dissertation's three analytical steps before going into greater details concerning the research methods in chapter two.

Sub-question 1:
How can a standard like the GlobalGAP be conceptualised as a regulation mechanism?

In chapter three we answer the first sub-question. In order to comprehend how the GlobalGAP standard influences the actors in the value chain, our first sub-question has three objectives: To gain insight into the ways in which the standard fits in between international agreements, public regulations and consumer demands; why the private sector itself sets up regulations in the area of horticulture; and how the GlobalGAP standard works as a regulation mechanism. In chapter three we introduce and apply the dissertation's theoretical framework – the 'global governance' and 'analytics of government' approaches; approaches that provide the theoretical foundation of the entire dissertation. Both approaches extend the scope of political analysis beyond the domain of the state and are, respectively, interested in the mechanisms and the forms of power that constitute and configure otherwise seemingly non-political sites like horticultural production practices. The combination of the two approaches enables our analysis to focus on different aspects of the incorporation of the GlobalGAP standard into the global horticultural value chain as well as providing different reasons to the upcoming of standards as regulation mechanisms. We apply the two approaches in order to show 1) what and how the GlobalGAP standard regulates and 2) how the rise of the GlobalGAP standard can be conceptualised both as a consequence of the fact that the private sector seeks to fill out a vacuum left by a paralysed global polity (global governance) or as a consequence of the ways in which public governing institutions utilise the capabilities of the private sector (analytics of government).

Sub-question 2:
How is the GlobalGAP standard incorporated into the overall governance of the global horticultural value chain as well as in the coordination in between European buyers, Kenyan exporters and Kenyan smallholders?

The aim of chapter four in which sub-question two is answered is through two case studies to obtain an understanding of the ways in which the GlobalGAP standard is incorporated into the overall governance and the coordination between the different nodes in the global horticultural value chain. The case studies explore the consequences of the incorporation of the GlobalGAP as experienced by respectively a large and a small exporter and two of their affiliated smallholder groups. The global value chain framework (as part of the global governance approach) is advanced and used as a tool to analyse the coordination between the European buyers, the Kenyan exporters and the Kenyan

smallholders. In the chapter we conduct a descriptive analysis of our empirical case studies in order to show how the coordination between European buyers and the two Kenyan exporters differs substantially from the coordination between the two Kenyan exporters and their affiliated smallholder groups. In both cases the GlobalGAP standard plays a significant role as it works as a constant point of reference in the cooperation between the actors and codifies complex information about production practices. The analytics of government analysis builds on the global governance analysis and shows how the GlobalGAP standard is employed by downstream actors to govern from a distance.

Sub-question 3:
What are the consequences of the GlobalGAP standard for the Kenyan exporters and smallholders?

The aim of sub-question three is to advance some of the hitherto unexplored issues found in the previous chapters in order to provide an in-depth analysis of the consequences of the GlobalGAP standard for the actors in our case studies. Firstly, we discuss the empirical findings and consequences relating to the Kenyan exporters and discuss consequences in terms of the exporters' bargaining power and risk-taking in the horticultural value chain. Secondly, we treat issues that concern the two Kenyan smallholder groups and discuss the subject areas of how the incorporation of the GlobalGAP entails a re-organisation of the smallholders' local communities as well as a change in the smallholders' mind-set. A number of issues related to the horticultural sectors in developing countries have already been studied in great detail. This includes the economic consequences of GlobalGAP implementation, a deeper discussion of cost sharing throughout the whole value chain and a critical discussion of the donor dependence, and smallholders' long term viability within the GlobalGAP framework ((Humphrey 2008); (IIED and NRI research programme[3])). Accordingly these issues will not constitute the focus of the analysis of this sub-question.

[3] www.agrifoodstandards.net

2. METHODS: APPROACHING THE GLOBALGAP STANDARD THROUGH CASE STUDIES

This chapter presents the methodological considerations and choices we have made in order to answer our research question. The chapter is comprised of five main parts: Our theoretical framework, which provides the reader with an understanding of how we approach our research (section 2.1), our analytical approach (section 2.2), our research methods, covering considerations on the use of case studies as research method (section 2.3) and our qualitative data collection (section 2.4). The overall aim of this chapter is to give the reader sufficient information about the methodology and methods used to assess the reliability and validity of the dissertation's conclusions. This is explicitly discussed in the final section (section 2.5).

2.1 THEORETICAL FRAMEWORK: METHODOLOGICAL CONSIDERATIONS

In this dissertation we look at the GlobalGAP standard through a theoretical framework constituted by the global governance and analytics of government approaches. Throughout the analysis the theoretical approaches are applied eclectically. This means that rather than providing a full description of the entire theoretical bodies of the two approaches, we select relevant aspects and include them in the analysis in order to substantiate specific points. Thus, we have chosen not to have one separate chapter in which the theoretical approaches are accounted for in full.

The two approaches and their basic assumptions are introduced in chapter three and later, in chapter four, specified to include global value chains.

> *In order to understand social phenomena you need to be acquainted with concepts and the context which would not necessarily emerge phenomenologically for the participants or for the researcher for that matter* (Flyvbjerg, 1988, p.6) (Our translation).

Flyvbjerg's quote stresses the point that theoretical approaches are tools that render visible to us phenomena that we otherwise would not be able to comprehend. In this section we shortly discuss and reflect upon our choice of theoretical approaches, their differences and similarities and methodological considerations concerning the use of both a critical realist approach (global governance) and a post-structural social constructivist approach (analytics of government).

2.1.1 COMBINING TWO PERSPECTIVES ADDS DEPTH

We have chosen the combination of the two approaches because it enables us to grasp different attributes concerning the phenomenon of GlobalGAP. The global governance approach will enable us to observe our field of research at the actor level and discuss the consequences of the relative powers of one actor over the other and how the GlobalGAP standard acts as a tool to ease information flows in the horticultural value chain. The analytics of government approach allows us to step a few steps back and reflect upon how the observed governing is ingrained with specific rationalities.

The two approaches have been developed by many scholars. The global governance approach *"…emerged as a reaction to the general perception that social control was mobilised by and confined in states"* (Djelic & Sahlin-Anderson, 2005, p.8). Advocates of the approach hold the opinion that the study of governance should not start from an exclusive focus on states. The development of the approach can be traced back to the articles "The New Governance: Governing without Government" by Rhodes (1996) and Strange's "The Retreat of the state: the diffusion of power in the world economy" (1996), which with a realist approach focus on how non-state actors increasingly have become part of governance structures. The global value chain analysis developed by several authors ((Gereffi et al., 2005); (Dolan et al., 1999); (Humphrey, 2006) among others) is in this dissertation viewed as part of the global governance approach because it applies the same concept of power and is concerned with governance outside the sphere of nation states. The 'analytics of government' approach has its origin in post-structuralist thought and Michel Foucault's famous lectures in the late 1970's. Since the lectures several authors like Michel Dean (1999) and Nikolas Rose (1999) have further developed the approach while W. Walters (2004) and Neumann and Sending (2007) have been instrumental in advancing the approach to also apply to international politics. The approach is elsewhere named governmentality but we have, inspired by Lemke (2007), chosen to call it the analytics of government approach.

The combination of the two theoretical approaches enables us to capture both impacts and socially constructed meanings of the phenomenon of the GlobalGAP standard: The critical realist global governance approach emphases and explains causal links between observable events (Grix, 2004). The post-structural social constructivist analytics of government approach focuses on understanding the socially constructed rationality of the governing practices. However, one should be aware of the fundamental differences between the two approaches. These include the science theoretical difference that critical realists share ontology with positivists believing that the world exists

independently of our knowledge about it, while post-structuralists subscribe to the view that the world does not exist independently of our knowledge of it. However, the critical realist research paradigm, which we in this dissertation adhere to, recognises the point that social phenomena are *"...not always apparent or observable, [...and] that the immediately perceived characteristics of objects, events, or social relations rarely reveal everything"* (Grix, 2004, p.18). This basically entails that critical realists recognise that researchers must look beyond the immediately observable and allow interpretation as long as the research adheres to strict quality assurance. Consequently, the use of the two approaches combined does not pose any science philosophical threat to the consistency of our conclusions.

2.2 THE GLOBAL HORTICULTURAL VALUE CHAIN AS THE FIELD OF RESEARCH

The GlobalGAP standard is our unit of analysis. This means that our point of observation is tied to the GlobalGAP standard and the ways in which it, as a new actor, creates changes within a particular system; the global horticultural value chain. Choosing the global value chain approach in order to answer the dissertation's research question makes our field of research the horticultural value chain and, thus, provides us with an overall delimitation of our subject area. We understand value chains as open systems containing a number of actors, structures and rationalities that influence each other. The system has its own interdependencies and feedback mechanisms, but is also affected by outside conditions such as the WTO and EU regulations, consumer demands and national circumstances, as illustrated in Figure 2 below. The circle illustrates the horticultural value chain with external and internal sub-elements that all affect the system itself and the entities within it.

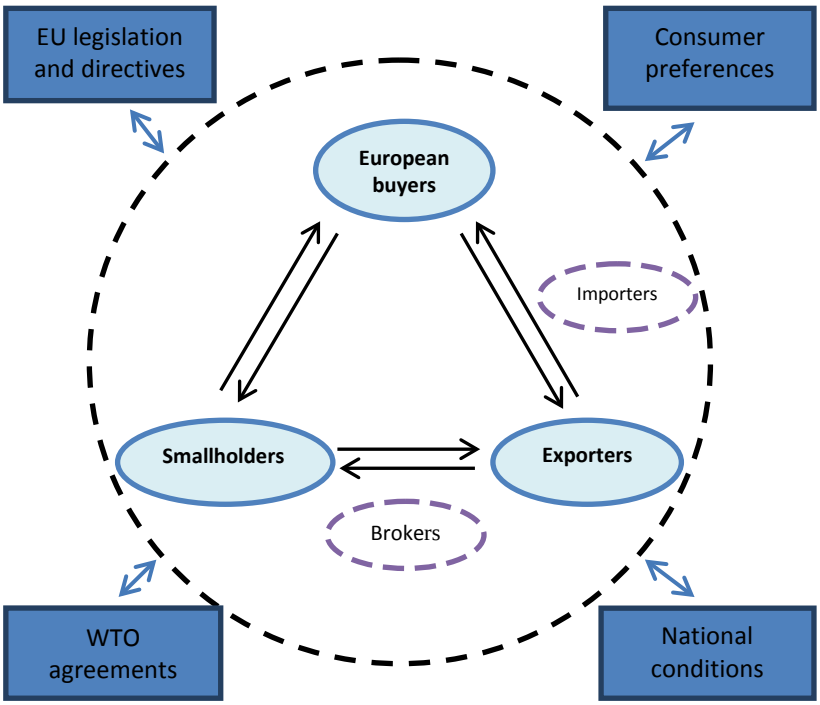

Figure 2: Linkages in the horticultural value chain

Within this system we have chosen to illuminate specific nodes and linkages as articulated in our research and sub-questions. These chosen nodes and linkages reflect our interest in the consequences of the GlobalGAP standard. The dissertation thus precludes examining the highly relevant linkages outside the system, such as the GlobalGAP standard's impact on governmental regulation of the global horticultural value chain, be it national, EU or WTO regulation. Figure 3 includes the new sub-element in our system, the GlobalGAP standard, that we argue creates changes on other elements within the system as well as changes the system itself. The uncut arrows depict the linkages that the dissertation will treat. Our study is, thus, a snapshot of a specific part of the system of the global horticultural value chain.

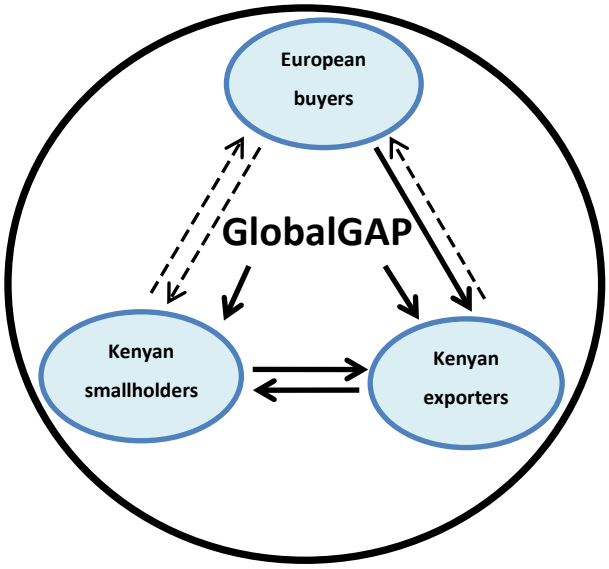

Figure 3: A Snapshot of our research focus

2.2.1 COMBINING EMPIRICAL AND THEORETICAL KNOWLEDGE

As depicted in Figure 3 above we want to understand the dynamic linkages between different sub-elements, more specifically, the operational links between the GlobalGAP standard and the experiences of the involved Kenyan actors in the value chain. We have arrived at this research focus through a continual process of combining empirical and theoretical knowledge. The figure below depicts this process. The process started with empirical observations of and an interest in the GlobalGAP standard, followed by a research process aiming at reaching what Olsen and Pedersen (2003) call the 'best explanations' through an alternating use of both deductive and inductive research approaches. Thus, we reason with what is termed an abductive research approach (Dubois & Gadde, 2002). Among others, this research approach allows us to reason by continuously switching between the different steps in the research process. An example of this is when we, after having collected our empirical data, have used existing literature explored earlier in the research process to advance our understanding of our empirical data. We thus go 'back and forth' between our theoretical framework and empirical data (Dubois & Gadde, 2002). Peirce terms this as 'reasoning backwards' (Hoffman, 1999).

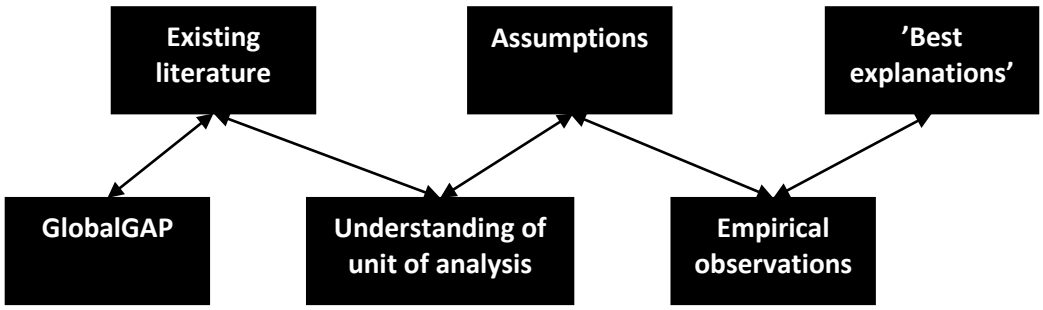

Figure 4: The abductive reasoning in our research

2.3 CASE STUDIES AS A RESEARCH METHOD

As mentioned in the introduction we use two case studies as the basis of addressing the main part of our research question. The studies consist of (1) a large exporter and its affiliated group of smallholders and (2) a small exporter and its affiliated group of smallholders. In the following section, the aim is to outline, reflect and elaborate upon (1) our chosen cases and (2) case study research in general as an analytical strategy. This we do through a short description of our case studies, an elaboration on why this dissertation benefits from using case studies as its empirical basis and finally by reflecting on the selection and biases of our cases.

2.3.1 INSTRUMENTAL CASE STUDIES OF THE UP-STREAM KENYAN ACTORS

We use the case study method because we want to investigate the GlobalGAP as a phenomenon within its real-life context in Kenya and develop as full an understanding of the cases as possible. Yin (1989) defines a case study as *"...an empirical enquiry that: Investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used"* (Yin, 1989, p.23). We have conducted our case studies as instrumental studies (Silverman, 2004) in which the GlobalGAP standard figures as our unit of analysis within the global value chain setting, in order to be able to scrutinise the influences of the GlobalGAP standard.

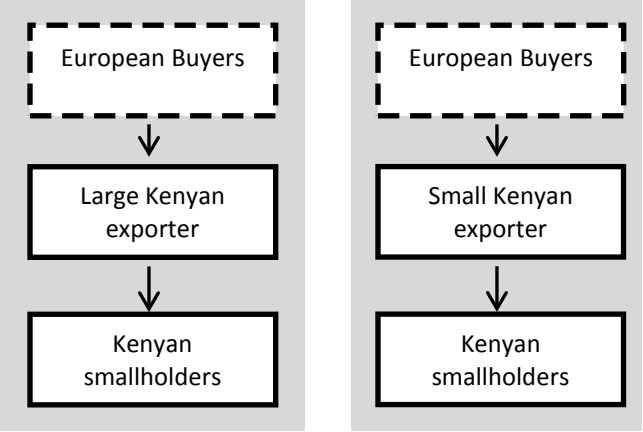

Figure 5: Our two case studies

As depicted in Figure 5 the cases in this study represent two examples of the Kenyan part of the horticultural value chain: two exporters, a large and a small, and two of their respective smallholder groups. During our field trip to Kenya we collected data through multiple qualitative sources such as interviews, contracts, constitutions and observations, in order to develop a thorough analysis of the experienced impact of the GlobalGAP standard. The main focus of the case study research is to provide data for the dissertation's second and third sub-questions:

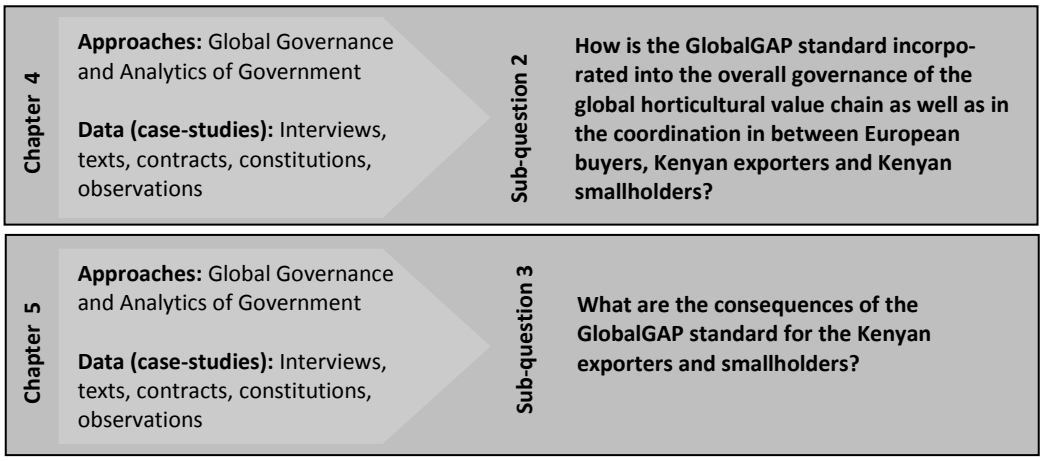

Figure 6: Sub-question 2 and 3

In the analysis we provide a rich analytical description of the issues that concern these two questions such as: the actors involved in the chain, their production, their contracts, GlobalGAP implementation, perception and impact of GlobalGAP, smallholders' organisation, illiteracy, smallholders' side selling to brokers and other relevant issues concerning their business activities within horticultural products.

It is, however, beyond the scope of this dissertation to process the great amount of challenges these actors face alongside the GlobalGAP standard such as power shortages, price of electricity, lack of basic infrastructure, political instability, shipping freight prices due to Somali pirates and lack of basic financial infrastructure. This delimitation is made in spite of the fact that we recognise the importance of such factors.

2.3.2 CASE SELECTION AND BIASES THEREOF

We choose the horticultural sector in Kenya as our empirical focus area due to the country's relative success within horticultural exports. This makes an interesting setting for exploring the impacts of the GlobalGAP standard. Not only does the country have a comparative advantage in terms of low labour costs, but also temperate climatic conditions that allows year-round production to the winter stricken European continent (ABD 2010). As a result of the Kenyan advantage within horticultural exports, the Kenyan economy is highly dependent upon its horticultural production and exports; a fact that is illustrated by the agricultural sector's aggregated contribution to the Kenyan Gross Domestic Product (GDP) (26%) and export earnings (60%) (ABD, 2010). It has been estimated that a 1% increase in the agricultural sector will result in a 1.6 % GDP growth in the national economy (ADB 2010, 8).

We have chosen the two specific cases because they exemplify the particularities of the Kenyan horticultural up-stream actors and have implemented or are in the process of implementing the GlobalGAP standard.

Facts – Case 1

Exporter 1
Exports weekly: 200-230 ton
Employees: roughly 8750 (excluding contracted smallholders)
Processing facilities in Nairobi and Mombasa
Own Farms: 11 covering 7413 acres of land. 90 % of sales stems from own production.
Buys produce from: 1700 independent smallholders. 10 % of sales stems from these smallholders

Smallholder Group 1
2 groups consisting of 10-15 farmers.
Located 3 hour drive from Mombasa.
Part of a 450 smallholders in the same area organized into 35 groups and 5 clusters. All cooperates with Exporter 1.

Facts – Case 2

Exporter 2
Exports weekly: 15-25 ton
Employees: roughly 120 (excluding contracted smallholders)
Processing facilities in Nairobi
Own Farms: 2 covering 40 acres of land. 20 % of sales stems from own production.
Buys produce from: 250 independent smallholders. 80 % of sales stems from these smallholders

Smallholder Group 2
1 group consisting of 14 smallholders.
Located 4 hour drive from Nairobi.

Figure 7: Facts - Case 1 and 2

By choosing these specific cases we are able scrutinise the impacts of the GlobalGAP standard on both a small and a large exporter. This choice is based on the assumption that the size of the exporting company is a defining factor in the relationship between European buyers and Kenyan exporters and between Kenyan exporters and Kenyan smallholders. Furthermore, we assumed that the size of the exporter affected the ways in which the incorporation of the GlobalGAP is experienced: Assumptions that proved valid in some instances and invalid in others as will be accounted for in our analysis. The smallholders in the two cases are traditional Kenyan farmers who produce with a limited amount of tools and technology and with no independent access to either the local or international market and therefore are very dependent on either an exporter or a broker. The exporters are our points of entry into the global horticultural value chain. Our selection of smallholders is based on their relationship with the exporters.

A possible bias in our selection of cases is that the cooperation between the smallholders and the exporters and the implementation of the GlobalGAP standard in both cases are supported financially and practically by the Danida financed Agricultural Business Development (ABD) component. By employing a value chain approach the ABD component seeks to link smallholders and horticultural small and medium sized enterprises (SMEs) to sustainable markets. As is documented by for instance

Humphrey (2008) the involvement of donors is a prerequisite for both SMEs and smallholders to become GlobalGAP certified in Kenya and other developing countries. This entails that although the role of the donor is vital for the cooperation, it is not extraordinary and, hence, we can refrain from making ABD's role explicit in our analysis without it compromising neither our choice of cases nor the conclusions that we make.

A further bias in our selection of cases is the inclusion of smallholders who are in the process of being GlobalGAP certified. GlobalGAP certification can be a lengthy process and some of the smallholders initiated the implementation process in May 2010 and has not yet (end of March 2011) been audited. We, however, experienced that though some smallholders were not yet certified they had in fact implemented the GlobalGAP requirements and therefore qualified as case examples in our study.

2.4 QUALITATIVE DATA COLLECTION

The following section elaborates on our research methods through a presentation of our collection of the case study data, and the methodological considerations made during the data collection process. The case studies (1) provide us with new knowledge on the reality of Kenyan up-stream actors and (2) enable a comparison with knowledge obtained through our desk research.

In the following we present the persons interviewed and the methodological considerations related to the interview process. We interviewed persons within two categories: respondents and resource persons.

***Respondents*:** The up-stream actors - the smallholders and exporters - in the horticultural value chain. They constitute the central element of our two case studies as described in the above section. For case study 1 we interviewed the general manager, commercial accountant and regional manager from a large exporting company (from now on referred to as Exporter 1) at the company's headquarter in Nairobi. For case 2 we interviewed the managing director of a small exporting company (Exporter 2). For both case studies we visited and interviewed the smallholder group members on their production sites in the area where they live. Here we also were able to get in contact with the exporters' technical assistants (TAs) and observe how they interacted with the smallholders. Both exporters and smallholders were extremely accommodating and willing to share their knowledge and supplied us in addition to the interviews with copies of contracts, group constitutions and so forth.

Interviews conducted with the smallholders were kept in an informal and relaxed atmosphere in order to create a trust relationship and, thereby, obtain as honest answers as possible. The interviews with the exporter representatives were recorded. Furthermore, smallholders and exporters were assured in the beginning of the interviews that their answers would not be forwarded or shared with their business or trading partners. This is also the reason why no names of neither companies nor persons are mentioned in the dissertation. This was essential due to the sensitiveness of the questions and in order to get as reflective a picture of reality as possible. These ethical considerations were also intended to increase the validity of the data obtained (Saunders et al., 2007).

In order to retain obtained results as reflective as possible of the interviews, recorded or not, and not lose any points of value, we have conducted note taking during the interviews and extensive note writing straight after the interviews and observations (Saunders et al., 2007). We are aware of the cultural differences between us as interviewers and the Kenyan interviewees and consequent possible biases in terms of misinterpretation of responses (Saunders et al., 2007). We believe, however, that the cultural differences existing have been decreased due to the research method of personal qualitative interviews that provides the chance to explore meanings where possible apparent cultural differences were detected.

***Resource persons*:** This is people who through their position or specific work with the GlobalGAP standard in Kenya or in other countries have a special knowledge and overview of the focus of our project and provide us with expert knowledge. The resource persons include the GlobalGAP African Ambassador, the GlobalGAP Smallholder Representative and CEO of the industry organisation Fresh Produce Exporters Association of Kenya (FPEAK); a GlobalGAP Secretariat representative; donor representatives, referred to as ABD Officers; a consultant within the area of standard implementation, referred to as Agricultural Consultant; and academic resource persons within the subject area.

The resource persons functioned as experts that provided our research of the GlobalGAP with an overall framework and ideas concerning how to continue and process the empirical study. Furthermore, interviews conducted with resource persons paved the way for our initial answers to our research question in that they provided us with detailed knowledge of their experiences of the influence of the GlobalGAP standard on the upstream actors.

2.4.1 OVERALL CONSIDERATIONS FOR COLLECTION OF PRIMARY DATA

The form of interviews conducted was semi-structured and in-depth. This form was chosen in order to gain rich and flexible interview situations, and thereby be able to understand the relationship between our actors and the influence of the GlobalGAP standard. With this interview form we have sought to value the participants' perspectives on their worlds as recommended by Yeung (1995). We for example asked smallholders how *they* experienced the implementation of the GlobalGAP standard and if they felt it improved their farming yield. Before initiating our interviews we assessed the power relations relevant to our particular interview in order to be aware prepare ourselves for imbalances (ibid). This was particularly relevant when interviewing top managers, i.e. exporter representatives and the FPEAK CEO where we needed to stick to our own agenda and not be persuaded by their programme.

The wording of the questions asked was chosen according to the group of interviewees. Interviews conducted with resource persons have been characterized by an academic language, using specialist terms, also asking why questions. Whereas questions asked to respondents were asked in a more descriptive manner, mainly using how and what questions. The aim was to get spontaneous reactions/descriptions from the interview persons instead of their own more or less speculative accounts of the situations asked about (Kvale, 2006).

The interview guides that we used to guide our research are derived from our research question and sub-questions. We have based the interview guides on topics influenced by our theoretical framework and knowledge obtained from secondary literature, among others Humphrey's (2008) study on the subject and McCormick and Schmitz's manual for value chain research (McCormick & Schmitz, 2001). An example of the interview guide and a transcribed interview is presented in Appendix 1. The additional interviews (transcribed or in note form), field notes and collected documents can be found on the CD-ROM at the back of this dissertation.

Our interview guides aimed at contributing to the understanding of GlobalGAP's influence on up-stream actors and the coordination of the value chain (our research focus) and therefore include questions related to the topics of global value chain governance, the GlobalGAP standard and business organisation. Based on these overall topics our interview guides consist of questions on 3 main topics: 1) basic information about the business and its internal organisation, in order to gain information on their business strategies, core competences and main challenges 2) global value chain issues concerning market and power relations, with the purpose of categorising the coordination

between the nodes in the value chain, and 3) private standard implementation and management, in order to obtain information on the interviewees view on the standard's performance requirements, how it changed practices, and the costs and risks due to its implementation.

We quality controlled the question guide: we used relevant resource persons such as our supervisor and two academics within the research area in Kenya to read through and comment on our interview guide; a process that validated our interview guide immensely. By cross-checking the relevance, wording, and number of questions, we sought to keep the interview guide focused and relevant for answering our research question as well as easily applicable in the field.

2.4.2 EVALUATION OF COLLECTION OF PRIMARY DATA

Overall our data collection process progressed according to our intentions. The relevant actors to our study in Kenya proved to be very accommodating and interested in participating in our study. The same was the case in terms of answering different kinds of questions and in general sharing their thoughts on the GlobalGAP standard with us. The use of resource persons truly benefited our preparation and understanding of the interviews made with respondents. Language barriers were to some extent a challenge when conducting interviews with smallholders, but at least three smallholders from each smallholder group were able to communicate fluently with us and also translate the opinions of their colleagues.

2.5 ASSESSING THE DISSERTATION'S CONCLUSIONS

Having accounted for the design of our research and the methods employed, we use this final section of this chapter to reflect upon the validity and reliability of our study. 'Methodological awareness' meaning "*...a commitment to showing as much as possible to the audience of research studies*" (Silverman, 2004, p.209) is the critical factor in ensuring the quality of a study. The previous sections constitute the initial steps towards our aim of documenting and accounting for our methodological choices. The following sections add to this by explicitly addressing how we have tried to make our conclusions as valid and reliable as possible by using multiple sources of evidence, annexing research data and maintaining a chain of evidence.

2.5.1 MULTIPLE SOURCES OF EVIDENCE – TRIANGULATING DATA AND CONCLUSIONS

One source of empirical data like interviews is in much research more than enough to conduct thorough and valid research, yet, a major strength of the case study is the opportunity to use multiple sources of evidence. In our case studies we have been able to combine interviews with

archival records such as contracts (between smallholder groups and exporters and between the smallholders and their respective group) and group constitutions as well as our own field observations. This diversity of data combined with the range of interviewees entails according to Yeung (1995) that we have a good case for developing converging lines of inquiry – a process called triangulation. According to the triangulation principle any finding or conclusion in a case study is likely to be more convincing and accurate if it is based on several different sources of information, thus, following a corroboratory affirmative mode (Yin, 1989, p.97). The use of triangulation helps us achieve validity according to (Yeung, 1995). Regarding the coordination between and governance of the smallholders and the exporters (addressed in sub-question 2) we have, accordingly, conducted interviews with both parties and thereby obtained both sides of the story and supplemented this by the above mentioned archival records. On the topic of the coordination between the exporters and the European buyers we have only interviewed exporters, but are able to triangulate their statements with secondary literature, such as Dolan & Humphrey (2001), Gereffi et al. (2005), Humphrey (2006 and 2008). In answering sub-question 3 we have supplemented the accounts of the two exporters and the several smallholders that we interviewed with their archival records and later shared, discussed and assessed our conclusions with resource persons within the area: A triangulation process that confirmed and sharpened our final conclusions and greatly heightened the validity of our research conclusions.

2.5.2 ANNEXING RESEARCH DATA AND MAINTAINING A CHAIN OF EVIDENCE

The issue of the reliability of our conclusions – whether the conclusions are replicable by other researchers – is accommodated by complete transparency. By annexing our interview guides, transcribed interviews, observation notes and collected archival records as a CD-ROM we follow Yin's (1989) recommendation of making our data available for a secondary analysis, should other researchers wish to review the evidence directly and not be limited by our written report. When we build an argument based on the empirical data, we additionally make sure to refer to the precise place in our annexed data that documents our statement. This enhances the chain of evidence in order for the reader to be able to trace backwards any argument that we make from conclusion to empirical data.

2.5.3 GENERALISATION: THIS DISSERTATION PROVIDES A BASIS FOR FURTHER RESEARCH

This dissertation provides with an insight into some of the changes caused by the implementation of the GlobalGAP standard in the horticultural value chain. In the first part of the analysis (chapter 3) we apply two alternative theoretical approaches in order to explain how the GlobalGAP can be

comprehended as a regulation mechanism. The theories each build on years of research and have shown to be applicable to a number of different research areas. They can each be said to constitute the basis of analytical generalisation (Kvale, 2006). The aim of our analysis of the horticultural value chain, however, is specifically to shed light on the incorporation of the GlobalGAP standard. While some conclusions could probably be generalised to count for other agri-food standards as well, our aim is limited to providing a rich description of the GlobalGAP and not of the entire pool of standards.

The last part of the dissertation's analysis (chapter 4 and 5) are primarily based on two case studies, which respectively gives us knowledge about how a large exporter and its related smallholder group (case 1) and a small exporter and its related smallholder group (case 2) experience the implementation of the GlobalGAP. The aim of these chapters is to gain a qualitatively detailed understanding of these specific actors' situations. With the study, thus, we do not aim at – and are not able to - quantifying our conclusions and providing a general description of the ways in which all exporters and smallholders in developing countries or in Kenya are affected by the implementation of the GlobalGAP standard.

This, however, does not mean that this dissertation's conclusions are irrelevant to other cases or other countries. This dissertation provides with a description of the ways in which some Kenyan actors in the global horticultural value chain experience the incorporation of the GlobalGAP. The experiences of these actors are very likely to be similar to those of other Kenyan exporters and smallholders and maybe to actors in other developing countries as well. While our dissertation only provides documentation for two cases, the conclusions offer a starting point for further research and discussions about the effects of the GlobalGAP standard on developing countries.

SUMMARY

In sum, as an analytical framework, we have chosen to view the global horticultural value chain as an open system containing a number of interdependent actors and entities that all affect each other as well as the system. Consequently, we assume that the emergence of the GlobalGAP standard likewise change the conditions of the actors within the system as well as the system itself. To best explain and understand the interrelations in the open systems approach we go back and forward between empirical observations and existing theory, also called an abductive research approach. The up-stream actors that we examine are examined through an instrumental case study whereby we get an in-depth understanding of the GlobalGAP standard's influence on their operation, internal

coordination and position in the value chain. Combining global governance and analytics of government into our theoretical framework enable us to understand quite diverse perspectives concerning our empirical observations.

The main part of this dissertation is divided into six chapters. The analytical part of the dissertation begin in the following chapter (chapter three) where we present our main theoretical framework and answer our first sub-question concerning private standards as regulation mechanisms. The second part of our analysis is presented in chapter four, where we focus on the characteristics of the global horticultural value chain as it appears in our cases; thereby answering our second sub-question. In chapter five, the third part of our analysis, we analyse and discuss specific consequences of the GlobalGAP standard for the Kenyan exporters and smallholders in our cases. Finally, our conclusions and perspective will constitute chapter six.

3. THE GLOBALGAP: A PRIVATE REGULATOR

The aim of this chapter is to address sub-question one: **How can a standard like GlobalGAP be conceptualized as a regulation mechanism?** We (1) discuss how the regulation of a non-state governance institution like the GlobalGAP can exist and (2) analytically examine how the GlobalGAP operates and regulates. In order to do this we present in section 3.1 the theoretical framework constituted by the global governance and analytics of government approaches; a framework that will be applied throughout the dissertation and further developed in chapter four to encompass theorisation about the global value chain as well. In section 3.2 we develop a thorough understanding of the GlobalGAP, by firstly emphasising the legislative aspects of the governance exercised through the GlobalGAP standard and subsequently describing the GlobalGAP regulation as an utilisation of the capabilities of the agri-food industry.

3.1 THEORETICAL APPROACHES: GLOBAL GOVERNANCE AND ANALYTICS OF GOVERNMENT

The following section will outline the two theoretical approaches. The section starts by exploring the global governance approach and proceeds with advancing and specifying the differences and similarities vis-a-vis the analytics of government approach. It will also address their fundamental assumptions relevant to the analysis of the rise of private standards, the duality of state and society, the concept of power, and the two approaches' strengths and weaknesses.

3.1.1 THE GLOBAL GOVERNANCE APPROACH

The global governance approach is defined by its redefinition of the concept of governing. Contrary to earlier trends in political science it is sceptical towards the conceptual centrality and validity of the state. The traditional assumption that the state has a monopoly on governance functions does not reflect the present state of affairs, according to the global governance approach: *"…the image of authority flowing from a fixed institutional centre [is] outmoded"* (Walters, 2004, p.27). As society has become more and more complex, political authority has become polycentric and multileveled and this new kind of governance is the subject of research in the global governance literature. The move away from a centrality of the state, which has also been termed as a move from 'government to governance' (Sørensen & Torfing, 2005) or 'governing without government' (Rhodes, 1996), has entailed a shift in the analytical focus from 'institutions' to 'processes' of rule (Sending & Neumann, 2006). This because governance is no longer fixed to state institutions, but has become fluid as

broad, dynamic, complex processes of interactive decision-making, constantly evolving and responding to changing circumstances (Walters, 2004).

But why has this happened, according to the global governance approach? Why do states no longer have a monopoly on setting the rules in our societies? And why have non-state governance institutions like the GlobalGAP emerged? Vogel (2007) provides an answer to these questions regarding the states' involvement in setting rules for the activities of global firms[4]:

> *It is the inability or unwillingness of states to adopt or enforce them [rules across borders] that have contributed to the development and growth of non-state based governance institutions* (Vogel, 2007, p.13) (Emphasis added).

The states' ability and willingness to intervene is faced with constraints in four important ways: First, developed countries could restrict the import of products produced under irresponsible circumstances with regard to labour and environmental practices, or simply ban products from countries with poor records of human rights and reward countries with good records. This is, however, not practiced by governments. This is so partly because Western states are not willing to link trade liberalisation with improvements in the regulatory practices of their trading partners, and partly because of the fact that the WTO rules do not allow such actions. According to the WTO rules, potentially banned countries can call the 'Most Favoured Nations' treatment and, additionally, *"…International trade law takes as a given that the responsibilities of a government towards its citizens are a matter to be determined by each government, not by the international community"* (Vogel, 2007, p.14). Equally important is the fact that both global firms and developing countries strongly oppose such linkages. Global firms are worried that trade restrictions could raise their costs and disrupt their supply chains, and many developing countries view trade agreements that link access to Western markets to domestic practices on environment, human rights or labour as a disguised form of protectionism and strongly oppose the implementation of such (Vogel, 2007).

Secondly, the international community has in other instances been unable to link international agreements to the private sector. It has for example not been possible to expand the scope and improve the effectiveness of international regulations like the International Human Rights to include international firms (Vogel, 2007). This is largely due to strong opposition by international firms, but also because of a lack of international consensus about the content of these regulations and, additionally, how any such sanctions were to be enforced. Thirdly, Western governments could regulate the international behaviour of global firms with headquarters in their own countries. This

[4] Vogel (2007) treats the issue from a CSR perspective exploring why civil regulation has emerged which means that his analysis partially cover the same areas as the GlobalGAP standards such as the environment and workers' conditions etc.

has, however, proven to be a non-passable way, again due to strong private sector opposition. However, what Vogel views as the most important constraint is the inability or unwillingness of developing countries themselves to pass laws to increase the welfare of their populations and then afterwards enforce them. Hence, this constitutes the fourth way in which governments prove unable to provide regulatory frames of corporate conduct. Here the problem is that governments in developing countries often face a trade-off between attracting global firms that secure employment, on the one hand, and enacting and enforcing laws that effectively secure the wellbeing of their citizens on the other (Vogel 2007). Governments fear that such laws would restrict foreign investment or potential outsourcing by geographical mobile global firms.

This deadlock has prompted other forms of governance to emerge, according to Vogel (2007). In the global governance literature the emergence of other forms of governance has been described as either a decline in the power of states, as a weakening of their authority over the people and their activities inside their territorial boundaries (Strange, 1996), or as state failure and thus the announcement of the eclipse of state sovereignty (Lemke, 2007). The global governance literature also describes the emergence of other forms of government as expanding the public role of the private sector and extending authority sideways and *"…not replacing states but rather embedding systems of governance in broader global frameworks of social capacity and agency that did not previously exist"* (Vogel, 2007, p.5).

The global governance approach is based on three premises: A certain narrative about the changing role of the state, the duality of state and society and the concept of power:

There is ingrained in the theoretical assumptions of the global governance approach a particular narrative of social change: The state *used to* have regulatory monopoly, but this has now come to an end. The world *has become* increasingly complex and complicated with a massive growth in financial markets, an information and communication revolution, mass migration, and just as important increasing public concern about such things as equity, democracy, human rights, the environment and regional and local autonomy, according to Walters (Walters, 2004). In the view of the global governance literature these developments have transformed the way that governance is exercised.

Another assumption embedded in this rationale is, as can be seen above, a belief in the duality of state and society. In the global governance literature distinctions are often made between hierarchical interventions by the state and decentralised societal mechanisms that operate

interdependent and between the two domains of the state and society (Lemke, 2007). As shall be emphasised below, this division is not shared by the analytics of government approach.

According to the global governance approach, states have become less powerful than before, whereas non-state actors have gained much more power. This assumption builds on a conception of power as *"...the ability of a person or a group of persons to affect the outcomes that their preferences take precedence over the preferences of others"* (Strange, 1996, p.17). Thus, the distribution of power is perceived as a zero-sum game, where some loose and others gain power. For Vogel this leads to a concern about the kind of governance that is left when states prove incapable of governing (Vogel, 2007). Vogel therefore welcomes the emergence of non-governmental institutions' involvement in governance, because they have partially reduced the 'democratic deficit' that has been emerging due to states' inabilities[5].

3.1.2 THE ANALYTICS OF GOVERNMENT APPROACH

The intention of the analytics of government approach is to denaturalise the ways that we govern and are governed (Sørensen & Torfing, 2005). Instead of describing the ways in which authority operates in particular situations, attention is directed towards the practices of government and an emphasis is placed on 'how' questions: How do we govern? How are we governed? How are domains made governable and administrable (Dean, 1999). In the remainder of this dissertation the analytics of government approach is presented as a supplement to the global governance approach. With its different perspective, the analytics of government approach enables us to analyse additional aspects of the emergence, the role and the impact of the GlobalGAP standard, such as the rationale embedded in the government by private standards.

GOVERNMENTALITY AND THE 'CONDUCT OF CONDUCT'

Government is in the analytics of government literature defined as 'conduct' or more precisely as 'the conduct of conduct' and is a concept that comprehends the individual's self-government as well as the governing of others (Jessop, 2006). Government is perceived as activities that aim at shaping, guiding or affecting the conduct of individuals or collectives (Walters & Haahr, 2005). According to the analytics of government approach an important aspect of governing today involves attempts to

[5] This emphasis on democratic deficit is characteristic for the global governance literature, perhaps because of its emphasis on the lost sovereignty of the states (Sending and Neumann, 2006). The approach has ingrained a liberal bias in its analysis where it according to Lemke (2007) represents a particular 'art of government' firmly rooted within a liberal conceptualisation of how governing is supposed to take place. Concepts like political consensus, collective problem solving, accountability and legitimacy are therefore most often subject to scrutiny in relation to global governance analyses.

govern through the regulated freedoms of individuals and collectives, as we shall demonstrate in chapter 4 and 5.

The analytics of government approach represents a rethinking of the notion of government and theorises about how government is practiced in modern society. It was initiated by the French philosopher Michel Foucault in a series of lectures in 1978 and 1979 (Foucault, 2007). Since then a range of social scientists from a variety of scholarly disciplines have further developed and operationalised Foucault's concepts into analyses within the fields of sociology, criminology, economic and social geography, urban studies, cultural studies, finance and management and political studies (Walters & Haahr, 2005).

A central concept of the approach is the concept of governmentality. This concept has multiple meanings: First, Foucault states that governmentality is an ensemble formed by institutions, procedures, analyses and reflections, calculations, and tactics (Foucault, 2007, p.108). Secondly, governmentality is a rationality that has taken precedence over other types of power like sovereignty and discipline and which has led to the development of a series of governmental apparatuses, on the one hand, and a series of knowledge on the other hand. Thirdly, governmentality is the process by which the state of justice of the middle ages became an administrative state in the fifteenth and sixteenth centuries and was gradually 'governmentalised' (Foucault, 2007, p.109). Governmentality thus describes an ensemble, a historically specific mode of power, and a particular form of government.

GOVERNMENTALITY AS AN ENSEMBLE

In the literature the term governmentality is described as shorthand for 'governmental rationality': The rationality embedded in the ensemble of government. It is also often referred to as the 'art' or the 'mentality' of government (Walters & Haahr, 2005). The field of analysis is also defined by this focus and the analysis of government is in this approach according to Mitchell Dean

> *…concerned with thought as it becomes linked to and is embedded in technical means for the shaping and reshaping of conduct and in the practices and institutions* (Dean, 1999, p.18).

The aim of the approach is to analyse how thought is made practical and technical and to disclose the forms of political reasoning that inform particular types of government (Walters & Haahr, 2005). The approach is based on the assumption that our actions depend upon certain discursively constructed motives, strategies and rationalities ingrained in our customs. Understanding the concept of governmentality as the 'rationality of government' is useful for comprehending that governmentality

"*… is a collective, relatively-bounded form of thought in which individuals and groups are typically immersed"* (Foucault, 2007, p.108). By immersed Foucault means that we as individuals and as parts of greater societies are so embedded in ways of thinking that it is difficult for us to escape. Analyses based on the analytics of government approach aim at 'denaturalising' the 'truths' that we take for granted (Dean, 1999). In other words the aim is to demonstrate the contingency of government regimes. The fact that the analytics of government approach focuses on the rationality of government and on rationality as an ensemble entails that the analytics of government, like the global governance approach, turns itself away from a notion of government defined as flowing from a state institution. According to the analytics of government approach government should not be comprehended in terms of the monopoly of the state but as *"...a plurality of practices that are conducted within and across countless social sites; practices that are often contradictory and only ever partially coordinated"* (Walters & Haahr, 2005, p.289ff). The analytics of government takes the state to be an integral part of governmental practices, but it is an instrument and effect of these practices and not their foundation and counterpart (Lemke, 2007). It thereby follows that the duality of state and civil society is not taken as a universal fact.

GOVERNMENTALITY AS A MODE OF POWER AND A FORM OF GOVERNMENT

> *One should study power where it is exercised over individuals rather than legitimated at the centre; explore the actual practices of subjugation rather than the intentions that guide attempts at domination; and recognise that power circulates through networks rather than being applied at particular points* (Jessop, 2006, p.38).

A second use of the term governmentality has to do with the concept of power. The focus is on the socio-political functions and processes of governance and the rationality that is constituted in the practices of political rule, according to (Sending & Neumann, 2006). It is the logic of the processes of governance that is important. Embedded in Sending and Neumann's (2006) argument is a distinctive conception of what power is and how it operates in modern society. Sovereignty, discipline and governmentality are viewed as three historically specific modes of power and forms of government. *Sovereignty* is associated with the medieval state which was based on customary law, written law, and litigation and is primarily concerned with the control over land and wealth. *Discipline* is associated with the rise of the administrative state of the 15th and 16th century emphasising the disciplinary regulation of individual bodies in different institutional contexts. In the late 16th century governmentality emerged. This period is associated with the increasingly governmentalised state, which focused on controlling the mass of the population on its territory rather than controlling its territoriality as such (Foucault, 2007). Where sovereignty and discipline have their purposes in the act of government itself, governmentality has its purpose in optimising the wealth, health, happiness,

prosperity and efficiency of the population (Sending & Neumann, 2006, p.656ff) and in exploring how to make the forces of the state increase from within (Walters & Haahr, 2005). This is expressed and exercised through accumulation of *"...whole complex knowledge (e.g. statistics, norms, social science), laws, policies and regulations"* (Walters & Haahr, 2005, p.293). It is crucial to the analytics of government approach's understanding, though, that sovereignty and discipline still exist as modes of power and are thus not replaced by governmentality. Rather, the understanding or the construction of for example sovereignty, gets placed within a more general concern for the wellbeing of a population and has thus changed over time along with changes in mentality or rationality of government.

GOVERNING THROUGH FREEDOM

Another facet of the analytics of government approach is the perception of the object of government. In the pre-liberal era the governed were perceived as passive objects of government (Higgins & Hallstrom, 2007), but as 'society' emerged as an entity external to, and qualitatively different from, the territory and the inventory of the state in the late eighteenth century (Sending & Neumann, 2006) a new distinct logic of power emerged as well: Liberalism and its implicit logic of 'governing through freedom'. The distinctive feature of this liberal rationality is that it treats the *"…governed not as the objects of rule but as formally free subjectivities to be engaged with and coordinated"* (Higgins & Hallstrom, 2007, p.690). The state's role is thus to facilitate. The free decision-making of the governed thus constitutes not an obstacle to government, but a technical requirement. This liberal perception of the governed has led to the term 'technologies of agency'; a notion that seeks to employ actors' possibilities for agency as a tactic or mode of governing and to engage actors (or institutionalising their identities) as:

> *…active and free citizens, as informed and responsible consumers, as members of self-managing communities and organisations, as actors in democratising social movements, and as agents capable of taking control of our own risk* (Sending & Neumann, 2006, p.657).

Sending and Neumann's (2006) further development of the thoughts of Foucault have among other things introduced the perspective of the 'contractual arrangement', which these new technologies induce. By being offered involvement in resolving issues that were previously considered the responsibility of government authority, actors like the GlobalGAP organisation

> *…must assume active responsibility for these activities, both for carrying them out and, of course, for their outcomes, and in so doing they are required to conduct themselves in accordance with the appropriate (or approved) model of action* (Sending & Neumann, 2006, p.657).

This quotation promotes the point of view that the field of action, when integrating non-state actors in decision-making activities, is structured by that which is considered appropriate: Performance must reflect appropriateness and, correspondently, responsibility. This constitutes an important element in the rationality of government that has transformed the governed from just a passive object of government to both an object and a subject of government.

GLOBAL GOVERNANCE VERSUS THE ANALYTICS OF GOVERNMENT APPROACH

The global governance approach and the analytics of government approach have two pronounced differences in their approach to the analysis of governance. The first difference concerns their understanding of power. Whereas the global governance approach view power as something that some have and others do not – as something that can be distributed in a zero-sum game – the analytics of government offers a different take on the concept. Its focus lies in the processes of governance and the rationality that is constituted in the practices of political rule and circulated through networks. Accordingly, power should be studied where it is exercised over individuals and not at the centre where it is legitimated, according to the analytics of government approach.

The second difference concerns the perception of state and society. The global governance approach has a dual understanding of state and society, as described above, which assumes that interventions by the state are distinct from those of society. This stands in contrast to the understanding of state and society in the analytics of government approach, where this duality is not taken as a universal fact; a point of view that is based on the comprehension that government should not be seen as the monopoly of the state, but rather as a plurality of practices within and across countless social sites. State and society can thus not be seen as two distinct sites of government according to the analytics of government approach.

3.1.3 IN SHORT: THE DISSERTATION'S THEORETICAL APPROACHES

In sum, combining the two approaches helps us to emphasise different matters concerning the phenomenon of the GlobalGAP standard. The global governance approach focuses on the mechanisms in and between the actors such as global government institutions or non-state actors and the conditional factors that determine the choices of these actors. The presence of authority, powers and intentions of the actors are scrutinised and focus is often put on the agenda-setting capabilities of the powerful actors. Explanations to why non-state actors like the GlobalGAP have gained influence are based on causality and empirical evidence: Governments have proven unable to handle issues of importance, which has pushed authority into the hands of non-governmental

institutions out of necessity. The state has been undermined and is losing power. The global governance approach thus encompasses specific assumptions concerning power and a social narrative of social change where global circumstances have empowered non-state actors and the approach is interested in the institutional dimensions of the new form of governance. The global governance approach enables us to scrutinise the GlobalGAP standard's regulating features closely such as the standard's legislative aspects, and the ways in which its regulation fits with other forms of regulation in the food safety area. In the following two chapters, chapter four and five, the approach is advanced to include concepts of the global value chain, which enables us to put focus on the impact of the GlobalGAP standard on the value chain. However, the approach does not provide us with an understanding of the rationalities incorporated in the way governing is practiced, which is why the analytics of government also becomes part of our theoretical framework. The analytics of government approach emphasises the point that the phenomenon that non-state actors gain influence should be seen in a historical perspective in which society gradually has transformed from being a passive object of government to being both an object and a subject of government. The analytics of government approach seeks to deconstruct predominant relationships of power and knowledge and is interested in the rationality of government. Highly relevant for our analysis are the notions of 'governing through freedom' and 'technology of agency'. The two theoretical approaches thus complement each other as they capture different aspects of the GlobalGAP as a regulator.

3.2 UNDERSTANDING THE FUNDAMENTALS OF THE GLOBALGAP STANDARD

The following section contextualises the analytical approaches introduced in the above section. First, we outline the global governance framework as a critical analysis of private standard initiatives (PSIs) as developed by Tallontire ((Tallontire, 2007); (Riisgaard, 2010)) and, subsequently, apply it to the GlobalGAP standard. Secondly, we analyse the GlobalGAP through the analytics of government, looking at the ways in which the concept of 'technology of agency' can be used to understand the emergence of the GlobalGAP.

Tallontire (2007) finds it important to distinguish between private *company* standards and private *collective* standards; distinctions that are illustrated in the figure below.

Figure 8: The GlobalGAP standard as a collective industry standard

Whereas *company* standards are set and monitored by an individual company, *collective* standards are developed through a process of consensus involving actors from several companies and in some cases other organisations such as civil society organisations or government bodies (Anne Tallontire, 2007, p.777). Examples of *company* standards within the agri-food industry include Tesco's Nature's Choice and Starbucks's Coffee Sourcing Guidelines. Further, private collective standards can be classified as (a) *industry* collective standards which are industry-only affairs where only companies are involved, and (b) multi-stakeholder initiatives where standards are developed by a multiplicity of actors and then applied by the companies (ibid.). We argue that the GlobalGAP is an Industry-driven collective standard. This is based on the fact that actors involved in the standard-setting process are industry only (retailers and suppliers/producers). Tallontire also discusses the distinction between standards as voluntary or mandatory. In certain value chains, voluntary private standards are *de facto* mandatory for participation in the trade (ibid). Vogel extends this argument by claiming that the boundary between voluntary and mandatory standards is blurry and that private regulations can develop and finally work like hard law (Vogel, 2007). This is an argument that also is valuable to have in mind through our subsequent analyses and discussion.

Tallontire's (2007) conceptual framework is a means of scrutinising the ways in which private standards govern and act as regulation mechanisms. ***Step one*** according to Tallontire (2007) is to examine the rules which are developed and implemented through the private standard initiative (in this dissertation the GlobalGAP standard) and the ways in which quality is defined. This also includes a charting of the evolution of the GlobalGAP standard: what where the debates and events leading up to its inauguration? ***Step two*** is to approach the GlobalGAP's role as a regulator or in other words the legislative governance aspects. Looking at the legislative governance aspects entails that issues such as 'who makes the rules and how' and 'the origin of the standard' are touched upon (Tallontire, 2007). Questions to be answered under this are: Do the standards have links to other standards, both in the public and private domains? To what extent do the rules draw on international standards, those of importing countries or of key buyers? Who is involved in the standard-setting process, and who may be excluded? What is the basis for participation: is there a constitution outlining the

different kinds of organisations to be represented? Are all members equal in terms of the constitution or is there more than one kind of membership? [6] (Tallontire, 2007).

3.2.1 STEP ONE: THE INSTITUTIONAL CONTEXT AND SCOPE OF THE GLOBALGAP

Major food safety incidents in the 1980's and 90's like salmonella and antibiotic residues in poultry, toxic dyes in spices and the transmission of BSE (mad cow disease) in beef have been decisive for an increased public concern about health issues related to food. This in combination with the increasing transnational trade of food products sourced through complex worldwide value chains have prompted responses from the public as well as the private sector concerning food safety regulation. Food safety standards, like the GlobalGAP, are a highly controversial political issue and that we argue operates within the tree-fold regimes of WTO agreements, EU legislation and directives (if within the EU) and consumer preferences.

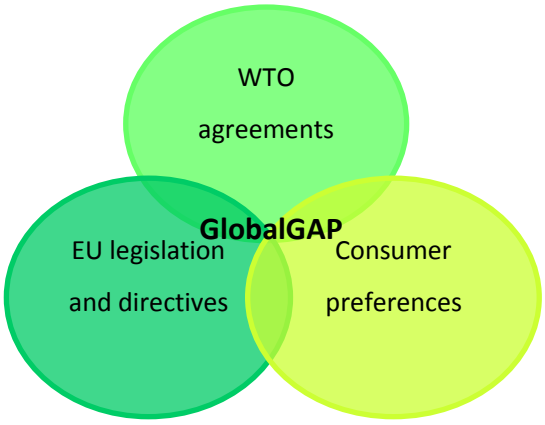

Figure 9: The three-fold regime that GlobalGAP operates within

THE WTO REGIME

To start from the top of figure 9, the WTO, a supranational organisation, has in its regime the Sanitary and Phytosanitary (SPS) and Technical Barriers to Trade (TBT) agreements which were settled under the 1994 Uruguay round (Graffham, 2006). Whereas the SPS agreement deals with the ways in which governments are allowed to regulate in the area of food and animal safety and health, the TBT agreement was created to cover non-health related matters. The basic requirement under these agreements is that measures to hinder imports can be taken by governments only if it can be scientifically demonstrated that it is necessary for health protection (Stanton & Wolff, 2008). The preferred way of meeting this requirement is by reference to the internationally developed food safety, plant and animal health protection standards developed and adopted by the Codex Alimentarius Commission (CAC), an organisation administered jointly by the Food and Agriculture Organisation (FAO) and the World

[6] Tallontire's framework also includes *executive* and *judicial* governance aspects. Under the executive aspect the focus is the processes of standard implementation and the different tools that are used by the private standard institution to ensure that standards are met: This includes looking at 'what non-compliance means for members?', 'how far down the chain standards are expected to be met?', and 'the relationship with actors upstream with regard to efforts to promote implementation of the standards'. The *judicial* governance aspects focus on how compliance to the standards is monitored and assessed. The analysis looks at issues like whether formal audit procedures exist? The relationship with other systems of inspection and conformity inspection, and who is able to audit and the kinds of auditing systems favoured? These aspects are however the natural focus of the remainder (chapter 4 and 5) of the dissertation be which is why it will not be touched upon here.

Health Organisation (WHO) since 1961. An alternative method of meeting the requirements of the WTO agreements is for governments themselves to prove that their national standards are based on a proper risk assessment that includes a risk analysis, risk management and risk communication (ibid.). It is, however, stipulated in the TBT agreement that imposed measures are not allowed to be more trade restrictive than required to achieve the desired level of health protection (ibid).

THE EU REGIME

It is within the framework of WTO's SPS and TBT agreements that EU policy making, legislation and directives operate. The latest policy framework for food and feed hygiene came into effect on January 2006[7]. The framework consists of a range of regulations and directives[8] that stipulate among others the following criteria with which horticultural products must comply:

- Each consignment must be accompanied by a phytosanitary (plant health) certificate
- Labelling of consignment must state country of origin, name and contact details of exporter, name of the product and date of the transaction
- Suppliers must demonstrate on demand that they comply with the EU hygiene criteria for foods of non-animal origin
- Contamination with pesticides, lead and cadmium must not exceed the maximum levels permitted under EU law
- Pesticides banned in the EU must not be used or allowed to contaminate the food
- Wooden packaging made after 28th February 2005 must comply with the international standard on wooden packaging (ISPM-15)
- Consignments that fall under the EU market grade standards must have a certificate of conformity

(Graffham, 2006, p.iv)

As can be seen in the above, the regulatory framework is rather extensive and strict and requires management and control systems to be in place within as diverse issues as plant health, traceability of products, hygiene, the use of pesticides, packaging, and certified conformity to grade (quality) standards.

[7] The member states were, though, allowed not to adopt the EU framework in full until the 31st of December 2009.

[8] The single framework regulation – The General Food Law (EC/178/2002); Official control for feed and food regulation (EC/882/2004); Consolidated hygiene regulations, general issues of hygiene applicable to all foods (EC/852/2004), additional hygiene measures for food of animal origin (EC/853/2004) and official controls for foods of animal origin (EC/854/2004); Feed hygiene regulation (EC/183/2005); Animal health rules (Directive 2002/99/EC); and repeal of the 17 existing Directives on 1st January 2006 (Directive 2004/41/EC) (Graffham 2006).

The responsibility for ensuring food safety is clearly stated under EU law: The food business is charged with the legal responsibility to ensure that requirements are met, while the government authorities have legal responsibility to establish official control systems and verifying compliance with food law and food hygiene (Graffham, 2006). The figure below depicts the phases in the global horticultural value chain in which governmental authorities exercise control. The fact that the food business has legal responsibility for ensuring compliance with the EU requirements entails that it is up to the industry itself to create a system that enables the industry to prove compliance.

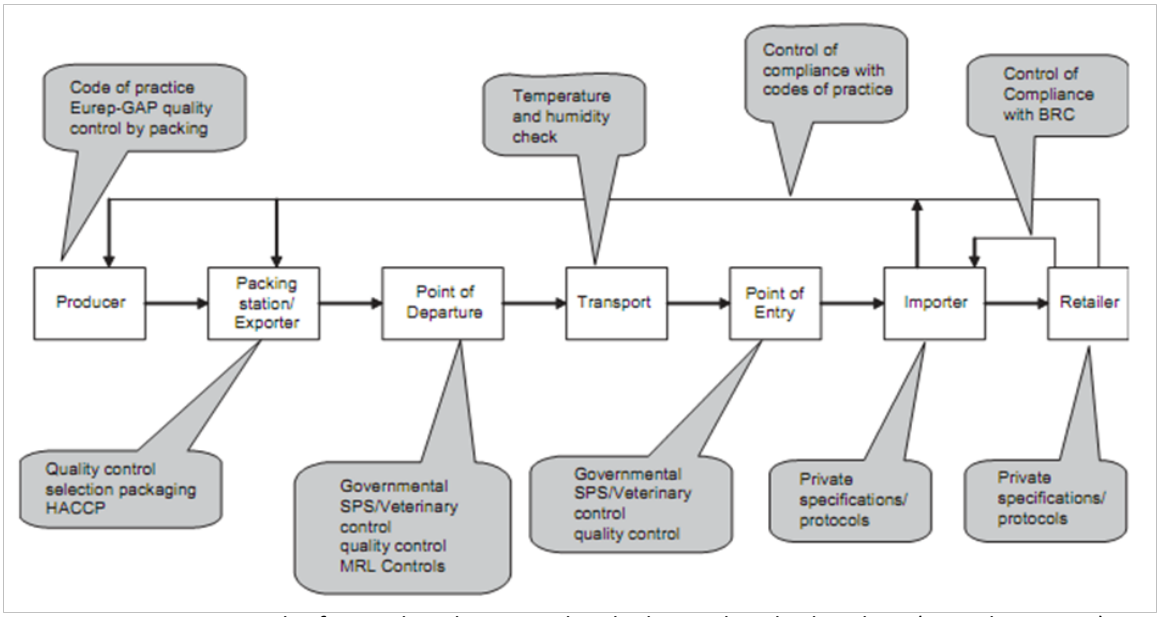

Figure 10: Food safety and quality control in the horticultural value chain (Humphrey 2006)

THE CONSUMER REGIME

Consumer fears about food and health is the third element that has influenced the upcoming of food safety standards like the GlobalGAP as we see it. Food scares are often fortified by either media or by civil society organisations and retailers need to recognise and answer to these concerns quickly in order to stay trustworthy. A consumer boycott of either a specific range of products or a retail chain can of course greatly affect the profitability of a retailer. A good example of this is the meat and wine scandal of Superbest (a Danish retailer) in the autumn of 2009 that led to an immense consumer boycott and a reduction in turnover of 300 million Danish kroner (Jeppesen, 2011). Labour and environmental concerns among NGOs and consequently the consumers have also risen, not least because of media exposure. Tesco's alleged exploitation of farm workers in Zimbabwe is according to (Dolan & J. Humphrey, 2004) a perfect example of a case to which the retailing sector had to respond. Processes of changing legislation in the EU and national states can be cumbersome and this in combination with the fact that legislators are surrounded by constraints like international treaties

(WTO), political union enlargement and complex and slow trade negotiations mean that the food safety legislative cycle is slow. Homer (2008) points to the fact that legislation, when finally agreed upon and adopted nationally, is often perceived as out-dated (Homer, 2008). Consequently a gap between food regulation and public opinion emerges. This gap entails that the retailing sector itself needs to respond. We regard the emergence of the GlobalGAP standard as a response to this gap.

The emergence of the GlobalGAP can, thus, be explained by reference to: 1) Rising consumer attention on the matter of food safety, 3) regulatory inability at the EU level to address this concern properly because of a slow legislative cycles, 4) Inability or perhaps unwillingness at the EU level to impose legislation that in its content is against WTO agreements, and 4) as forced upon the sector itself because the EU legislation as a last resort grant the importers the legal responsibility for agri-food products' compliance with certain EU requirements. In sum, this development can, in global governance terms, be described as happening because of the increased complexity of international cooperation: A development that has moved systems of governance into the hands of non-state actors such as the GlobalGAP.

Having examined the emergence of the GlobalGAP we move on to advancing an understanding of the content and scope of the GlobalGAP standard and organisation.

THE CONTENT AND SCOPE OF THE GLOBALGAP

The GlobalGAP standard (formerly known as the EurepGAP standard) started in 1997 as an initiative by retailers belonging to the Euro-Retailer Produce Working Group (EUREP). From the beginning its self-proclaimed purpose was to translate consumer requirements into agricultural production. The standard was thus justified as being a response to consumer concerns on food safety, environmental protection, workers' health, safety and welfare and animal welfare (GlobalGAP (a), 2009). British retailers in conjunction with supermarkets in continental Europe were the driving forces of the initiative with the aim of harmonising their own often very different company standards. The development of a common certification standard was also in the interest of producers, as those with sales to multiple retailers had to undergo several audits against different criteria every year: extensive processes that stress the producers as well as demand a lot of work. Over the last ten years the GlobalGAP organisation has been working on harmonising the company standards and procedures for the development of common Good Agricultural Practices (GAP). As a growing number of producers and retailers around the globe have joined in with the standard, GlobalGAP has gradually gained in global significance. In 2007 this gave rise to a change of name from EurepGAP to

GlobalGAP. According to the GlobalGAP organisation this change was made in order to avoid confusion from its growing range of public and civil society stakeholders (GlobalGAP (a), 2009).

The GlobalGAP standard applies to 'pre-farm gate' meaning that the standard applies to the production process from farm inputs like feed or seedlings and all farm activities until the products leave the farm. As can be seen in the figure below the scope of GlobalGAP's standard covers agriculture (both within crops and livestock) and aquaculture. One module of the standard applies to all types of farms. Another module is specified to the production of crops, livestock and aquaculture. Yet another module of standards is specified to specific product lines (see figure 11). Due to the research subject of this dissertation we focus on the GlobalGAP Fruit and Vegetables standard in the remainder of this dissertation.

Besides regulating food safety, the GlobalGAP has extended its regulatory area and now includes protecting and improving working conditions and the environment (GlobalGAP (b), 2009). The figure below depicts the entire scope of the GlobalGAP standard of which the fruit and vegetable is only one.

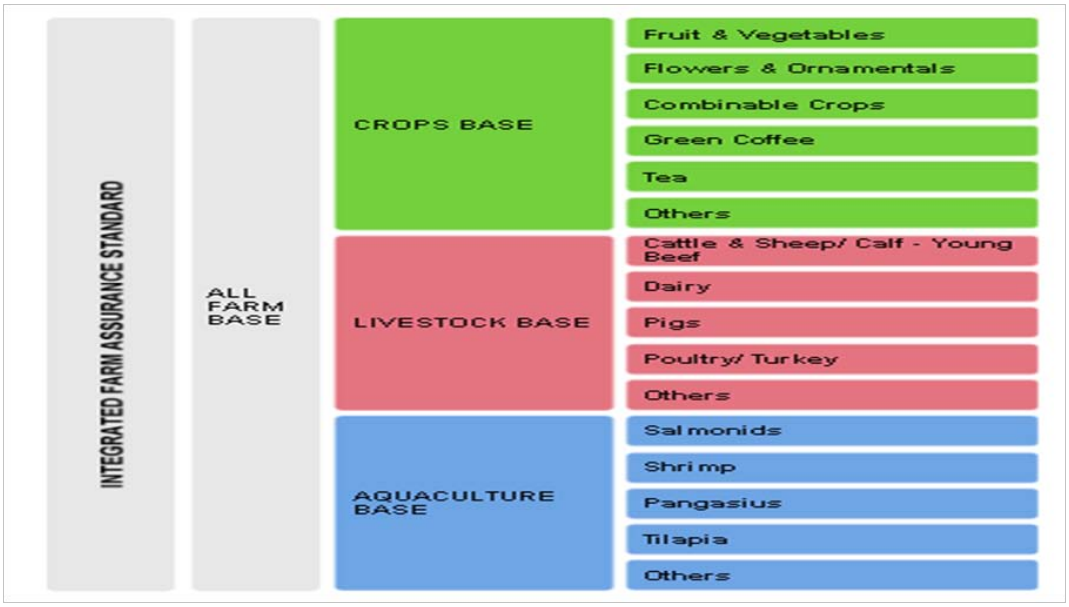

Figure 11: GlobalGAP's Integrated Farm Assurance (GlobalGAP (1))

The legislative framework on which the GlobalGAP standard is based is extremely comprehensive. It includes 1) general regulations that sets out the rules by which the standard is administered 2) control points and compliance criteria which is the requirements with which the producer must comply, and which gives the specific details on each of the requirements, and 3) a checklist which forms the basis of the producer's external audit and which the producers in general – and in this

dissertation the smallholder groups - use to fulfil the annual internal assessment (GlobalGAP (a), 2009).

Modules	The Standard: Control points and Compliance criteria	Level
All Farm Base	1 RECORD KEEPING AND INTERNAL SELF-ASSESSMENT /INTERNAL INSPECTION	2 Major, 1 Minor
	2 SITE HISTORY AND SITE MANAGEMENT	2 Major, 4 Minor
	3 WORKERS HEALTH, SAFETY AND WELFARE	17 Major,4 Major,1 Rec
	4 WASTE AND POLLUTION MANAGEMENT, RECYCLING AND RE-USE	1 Major,1 Minor, 3 Rec
	5 ENVIRONMENT AND CONSERVATION	1 Minor, 7 Rec
	6 COMPLAINTS	2 Major
	7 TRACEABILITY	1 Major
Crops Base	1 TRACEABILITY	1 Major
	2 PROPAGATION MATERIAL	3 Major,8 Minor, 2 Rec
	3 SITE HISTORY AND SITE MANAGEMENT	1 Rec
	4 SOIL MANAGEMENT	2 Minor, 1 Rec
	5 FERTILISER USE	2 Major,19 Minor, 2Rec
	6 IRRIGATION/FERTIGATION	1 Major, 5 Minor, 5 Rec
	7 INTEGRATED PEST MANAGEMENT	6 Minor
	8 PLANT PROTECTION PRODUCTS	21 Major,36 Minor,5 Rec
Fruit and Vegetables	1 PROPAGATION MATERIAL	1 Rec
	2 SOIL AND SUBSTRATE MANAGEMENT	1 Major, 2 Minor, 2 Rec
	3 IRRIGATION/FERTIGATION	2 Minor
	4 HARVESTING	13 Major, 3 Minor
	5 PRODUCE HANDLING	20 Major, 21 Minor, 6 Rec

Table 1: The GlobalGAP Control Points and Compliance Criteria (GlobalGAP (b) 2009)

The table above shows the standard's requirements to smallholders within fruit and vegetables production. Each requirement is coupled with a 'major' must, a 'minor' must or a 'recommendation' label. These indicate the required level of compliance; *major must* requires 100% compliance, *minor must* requires 95% compliance and *recommendation* does not require any minimum percentage of compliance, but must, when checked at inspection and re-inspection, be assessed to improve in the direction of compliance (GlobalGAP (a), 2009).

A thorough review of the specifics of the standard is not the purpose of this dissertation. However, to give an impression of the practical consequences the implementation of the GlobalGAP standard has on farm practices we give a few examples. Hygiene is one of the most extensive requirements: Under the heading *Harvesting* it is spelled out that a 'Hygiene Risk Analysis' must be carried out for the harvest and pre-farm gate transport process (GlobalGAP (b), 2009). This risk analysis should cover physical, chemical and microbiological contaminants and human transmissible diseases customised to the products. It is spelled out in the regulations that the risk analysis must be tailored to the scale of the farm, the crop and the technical level of the business (GlobalGAP (b), 2009). The risk analysis is

complemented by a number of additional comprehensive and very specific hygiene compliance criteria (hand washing, wearing of jewellery, fingernail length or cleaning, smoking etc). Furthermore, there are compliance criteria for the cleanness of transport vehicles, the placement of toilets (must be a toilet for every 500 meters), the use of fertilizers in terms of type, amount, equipment for the person spraying, storage, and place to dispose of left-overs. All these control points are *major musts.* The table below gives a more general picture of how extensive and comprehensive the GlobalGAP standard is within the area of Fruit and Vegetables.

Critical Control Point – importance of compliance	Number of Control Points	Strength of compliance
Major Must	47	100%
Minor Must	98	95%
Recommended	65	Not compulsory, but desirable. Must produce evidence of movement towards compliance.

Table 2: GlobalGAP's major and minor musts (Campbell 2005)

In chapter four and five the analysis draws on further examples of the GlobalGAP standard and goes into depth with how it affects the farming practices of the smallholders.

3.2.2 STEP TWO: THE LEGISLATIVE GOVERNANCE ASPECTS OF GLOBALGAP

GlobalGAP is a private sector body and its secretariat is legally represented by FoodPLUS GmbH, a non-profit limited company based in Cologne, Germany. The executive management of FoodPLUS GmbH bears the responsibility for the implementation of policies and standards. The financial and legal ownership and responsibility for FoodPLUS GmbH is held by the EHI Retail Institute – a confederation of German retailers (GlobalGAP (3), 2011). Membership of the GlobalGAP is voluntary and independent of certification. Only retailers and producers/suppliers (exporters/smallholders) can obtain full membership, which entails the possibility of being nominated and elected to the Board, Sector Committees (SC) and the Integrity Surveillance Committee. Certification bodies, consultancy companies, plant protection or fertiliser industries can become associated members, which means they can be nominated and elected to the Certification Body Committee (GlobalGAP (a), 2009). The figure below illustrates the organisational structure of the GlobalGAP institution:

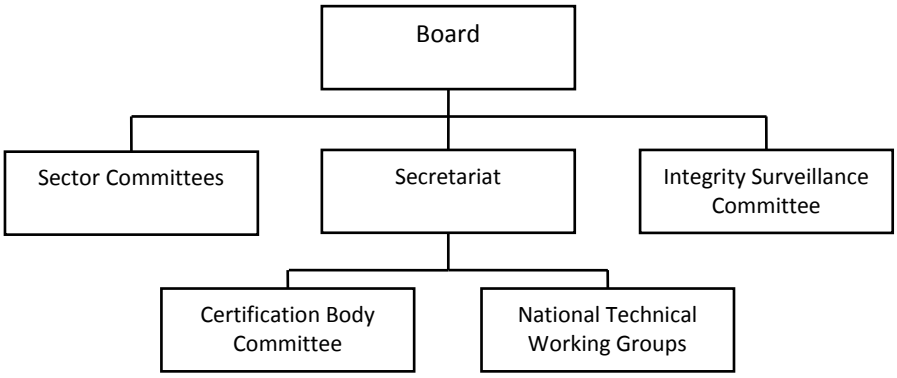

Figure 12: Organisational structure of GlobalGAP (GlobalGAP (a) 2009)

The Board is elected by the retailer and producer/supplier members and is chaired by an independent chairman, nominated and elected by the Board. It is within the responsibility of the Board to agree on the vision and short- and long term activity plans of the organisation and approve new versions of the standards. The members of the SCs are elected by retailers and suppliers/producers as well. A SC is established for each sub-module in the Integrated Farm Assurance standard, and accordingly there is a SC within the area of Vegetable and Fruits (which applies to horticulture). The committees work on the technical side of the standard and together with input from the Certification Body Committee they develop and maintain the Control Points and Compliance Criteria. The Fruit and Vegetables SC is the largest of its kind within the GlobalGAP and consists of seven retailers and seven supplier/producer representatives (GlobalGAP (c), 2008). According to the GlobalGAP website the SC of Fruit and Vegetables presently has the following setup: the producer/supplier representatives are from Chile, South Africa, Belgium, Netherlands, New Zealand, the USA and Italy and the retailers are from Germany (three), the Netherlands, United Kingdom (two) and Japan (GlobalGAP (3), 2011). The geographical spread among the smallholders/suppliers is not a coincidence as it is stipulated in the SC's terms of reference that the representatives are required to identify with one out of five production areas. The areas are 1) Northern Europe/Central Europe, 2) Southern Europe, Mediterranean and Middle East, 3) Central and Northern America, 4) Southern Hemisphere, and 5) Asia/Pacific (GlobalGAP (c), 2008). It is, additionally, a requirement that the SC has an African representative with observer status, which we elaborate on below.

It is stressed in the terms of reference that the representatives of the SC are not appointed as individuals to act as company representatives, but to provide personal expertise to the work of the SC and that members are required to act collectively and in the best interests of the GlobalGAP initiative (GlobalGAP (c), 2008). The role of the SC is to: a) Retain and enhance a specific sector focus

on all matters relating to technical issues, standards and implementation; b) Participate in peer review of applicant Benchmark Schemes; c) Revise the standard every four years; d) Propose, agree and endorse revisions to the General Regulations and other Control Points and Compliance arising out of practical experience; e) Act in the official technical capacity as required by Accreditation authorities; f) Participate in peer review of National Technical Working Group Guidelines; g) Decide on sector related technical interpretation (GlobalGAP (c), 2008).

It is c) and d) that highlight the standard setting responsibilities of the SC. Although the Board of the GlobalGAP needs to finally approve any standards developed or revised by the SC and the GlobalGAP Secretariat supports and guides the SC, the committee is mostly working independently and is responsible for technical decisions (GlobalGAP (c), 2008).

Dr Stephen Mbithi, CEO of FPEAK, the Fresh Produce Exporters Association of Kenya[9], has since 2009 held the position as African Observer in the GlobalGAP organisation. The position was developed as a result of pressure and demands from among others the Gesellschaft für Technische Zusammenarbeit (GTZ) and Department for International Development (DFID) who were of the opinion that African smallholders needed someone to represent their interests. GTZ and DFID consequently funded the position (Interview GlobalGAP Secretariat, 2011). As of now, the African Observer position does not hold any voting power in the SC's standard setting processes. This is, however, according to Dr Mbithi, likely to change (Interview Mbithi, 2010). As observer, Dr Mbithi is now invited to participate in all meetings, engage in discussions and give contributions and scientific opinions on the standards. Dr Mbithi claims that his role as African Observer is completely independent from the GlobalGAP organisation. His job is: *"...to take care of the interest of smallholders of Africa in the standard setting process"* and to make sure*"...that the aspects in there [the Standard document] which are contentious to the smallholders are removed"* (Interview Mbithi, 2010: l. 60-63). In order to represent all African interests and not only Kenyan, prior to SC meetings Dr Mbithi scrutinises the standard proposals together with the Horticultural Council of Africa. The Horticultural Council of Africa represents the horticultural organisations from different African countries. The process of bringing them all together is organised in order to create a common African stand on the matters of African smallholders and African interests and, consequently, to ensure the whole of Africa a stronger say in the GlobalGAP standard setting process.

[9] The Fresh Produce Exporters Association of Kenya (FPEAK) is Kenya's premier trade association representing growers, exporters and service providers in the horticulture industry (www.fpeak.org).

Without voting power, the African Observer can seem as a vague yes-man position that only serves to meet the demands of NGOs who accuse the GlobalGAP of being a power tool of the European retailers. According to the GlobalGAP Secretariat the creation of an African Observer position is essentially an unwelcome positive discrimination of Africa (Interview GlobalGAP Secretariat 2011). According to an interviewed representative of the GlobalGAP Secretariat, the current tendency of the horticultural industry to set up national technical working groups in African countries such as Kenya, South Africa, Tanzania, Uganda, Zimbabwe, Ivory Coast, Egypt and Ghana, is the only reasonable way of creating a representative process for African interests (ibid). Dr Mbithi claims that he enters the SC discussions on behalf of smallholders on purely scientific arguments, a strategy that according to him has proven successful and also given his position credibility (Interview Mbithi, 2010).

One of the circumstances that African smallholders benefit from is the incorporation of group certification into the GlobalGAP standard. This is termed 'certification option 2' and is different from option 1, where producers are certified individually. This facilitates according to Garbutt and Coetzer (2005) the opportunity of small-scale farmers to more effectively compete on the global market. The certification option 2 is one of GlobalGAP's attempts to take local circumstances into account. Another example of this is the possibility of benchmarking national standards to the GlobalGAP standards. Garbutt and Coetzer (2005) argue that a benchmarked standard has the benefit of local stakeholder support and can take local criteria into account. According to Garbutt and Coetzer (2005) this is supposed to make "*…implementation more successful, widespread and cost effective"* (Garbutt & Coetzer, 2005).

THE STANDARD-SETTING PROCEDURES OF THE GLOBALGAP STANDARD

The GlobalGAP has adopted some rather comprehensive processes for its standard-setting procedures based on internationally recognised codes of practices for standard development from ISO (the International Standard Organisation), ISEAL Alliance and WTO[10] (GlobalGAP (d), 2008). Changes to existing standards or the development of new standards within the GlobalGAP are initiated by requests from either retailers or producers/suppliers. Upon the request a whole process is initiated which includes a stakeholder analysis and a feasibility study determining whether the new or corrected standard is viable and whether it falls within the scope of GlobalGAP. An initial document is drafted and forwarded to the Board for approval. The Board's approval is posted on the GlobalGAP's website and the terms of reference including justification of the need for the standard

[10] ISO Guide 59: Code of Good Practice for Standardization (1994); ISEAL Code of Good Practice for Setting Social and Environmental Standards (Public Version 4 - January, 2006); WTO Agreement on Technical Barriers to Trade (TBT) Agreement. Annex 3: Code of good practice for the preparation, adoption and application of standards.

and its objectives for the proposed project will be available and interested parties will have the opportunity to comment (GlobalGAP (d), 2008). Two public review phases each lasting 60 days are included in the process, one after the initial draft proposal and another after the completion of a minimum of two trial audits in the field. Comments received from the public reviews are incorporated when applicable and feedback to comments plus summary of how each comment has been addressed is given to the commenter. Finally, the new standard is approved by the Board. The GlobalGAP standard setting, thus, appears rather transparent as the stakeholders and the public in general can follow and comment on the drafted standard in two different phases. By seeking to incorporate and by giving feedback on comments, the GlobalGAP Secretariat claims to take the views of the stakeholders seriously (Interview GlobalGAP Secretariat 2011).

Having scrutinised the legislative features of the GlobalGAP institution we apply in the next section applies the analytics of government approach to the practices of the GlobalGAP.

3.2.2 TECHNOLOGY OF AGENCY: UTILISING THE CAPABILITIES OF THE AGRI-FOOD INDUSTRY

The analytics of government approach entails an analysis placing the regimes of practices at the centre of analysis and seeks to discover the logic of such practices (Dean, 1999). In the following, we discuss the logic of the mechanisms, procedures, instruments, techniques - in sum 'practices' of the GlobalGAP that have been outlined in the above global governance analysis. In doing so, we attempt to utilise and build on the global governance analysis to generate additional perspectives of the GlobalGAP as a regulator.

The fact that the GlobalGAP organisation and its standard can be regarded as the agri-food industry's response to the EU food safety requirements illustrates a government arrangement where the public and private sector shares responsibility. The EU utilises the capabilities of the private sector in setting up a management and control system. This can also be expressed as creating a space for manoeuvre or 'governing through the freedom' of individuals and organisations – the private sector – as was presented in section 3.1.2. The industry itself with its extensive and specialised knowledge, concerning the ways in which the whole horticultural value chain works, is given the responsibility to create a control and management system that fits the constraints and challenges of the sector. National food security authorities are still involved as they on a regular basis inspect imports in order to ensure that imports are in compliance with food law and food hygiene (Humphrey, 2006). However, the monitoring that public authorities perform is kept at a minimum. The private sector has within a time span of ten years been able to build a rather complicated system with an internal

constitution and control points and compliance criteria. The control points and compliance criteria ensures that the EU requirements as a minimum are complied with and the standard thus facilitates trade of safe horticultural commodities around the globe in general and with the EU in particular. The GlobalGAP system additionally enjoys a high level of flexibility as it can respond easily to changing consumer preferences and immediately in case of food safety incidences. The GlobalGAP standard has requirements above the EU legislative requirements in areas such as MRL levels and environmental and workers health protection.

The analytics of government approach emphasises that when non-state actors are allowed to obtain decision making and regulatory responsibilities this involves contractual implications for appropriate behaviour. The performance of an empowered private sector authority must reflect appropriateness and responsibility (see section 3.1.2). We will point out a couple of examples where this also applies to the GlobalGAP standard. As described in the section above the standard setting procedures in the GlobalGAP complies with some specific internationally recognised procedures for the development of new or correction of old standards. Another example is the fact that the organisation during the years has recognised the necessity of including an African ambassador in the processes. During the conceptualisation of how the standard should be managed there was the perception that South African firms could perform this task of speaking on behalf of African smallholders (Interview Mbithi, 2010). However, as farms in South Africa are distinctively larger in size than in the rest of Africa this was not a sustainable solution. It is difficult for anyone involved in large scale farming to comprehend the challenges smallholders face when producing on a much smaller scale. Due to stakeholder pressure the GlobalGAP board decided to go into a process that resulted in the creation of an ambassador for Africa. At first the position was held by a German, but soon taken over by Dr. Mbithi from Kenya. These two examples illustrate that the actions of the GlobalGAP organisation is structured by or embedded in certain institutionalised frames of appropriateness.

3.3 PART CONCLUSION

We have in this chapter focussed on the GlobalGAP as a standard and as a regulator. The analysis has shown that the emergence of the GlobalGAP can be seen, firstly, as the agri-food industry's way of filling out a gap that has emerged due to an increased consumer focus on food safety in developed countries. Secondly, the emergence can be viewed as the inability or unwillingness of the EU and the EU member states to regulate beyond Europe's borders. Thirdly, EU regulations, constrained by WTO agreements, have made it the agri-foods industry's responsibility to ensure that the products sold to the EU populations are of the required safety quality. The GlobalGAP as a regulator can, thereby, also

be seen as emerging because modern governing – governing from a distance - utilises the capabilities of the governed by transforming the hitherto objects of government into both objects and subjects of government capable of handling their responsibilities. Responsibility does not only encompass the generation of safe products, but also include achieving this in acceptable and appropriate manners. We have identified signs that the GlobalGAP in certain areas is performing accordingly; its standard setting procedures which are based on internationally recognised codes of behaviour and the inclusion of a voice of Africa – the African Observer – points to this fact. We have also in the analysis introduced the scope of the GlobalGAP regulations. The following chapter will go into greater detail about what this means for the actors in the global horticultural value chain.

4. THE GLOBALGAP STANDARD AND GLOBAL VALUE CHAIN GOVERNANCE

A central claim of this dissertation is that in spite of the fact that GlobalGAP is a pre-farm gate standard, it affects not only its regulatory targets, but in fact has a wider impact as it becomes incorporated in the governance in the global horticultural value chain as a whole. This claim will be substantiated in this chapter where we set out to answer the second sub-question: **How is the GlobalGAP standard incorporated in the overall governance of the global horticultural value chain as well as in the coordination in between European buyers, Kenyan exporters and Kenyan smallholders?**

The question is answered stepwise: First (section 4.1.) we draw on the existing body of literature on the developments of global trade to establish the framework in which the global value chain has emerged. We also explore the global value chain analysis framework as this subsequently is applied in order to advance our understanding of the characteristics of the governance in the two case studies. Additionally, this first section provides a short review of how the literature describes the governance in the global horticultural value chain. In the second step (section 4.2) we conduct a descriptive analysis of our two cases with an emphasis on the coordination between the actors and the ways in which the GlobalGAP standard is incorporated in this coordination. The third step (section 4.3) is an analysis of our cases based on (1) global value chain theory, which we use to assess the impact of the GlobalGAP standard on the coordination of the chain. (2) With the analytics of government approach, outlined in chapter three, we explore the overall governance and the kind of rationality and disciplinary mechanisms that through the GlobalGAP standard govern actors in the global horticultural value chain.

4.1 GLOBAL VALUE CHAINS AND THE HORTICULTURAL VALUE CHAIN

In this section we explore how our field of research, the global horticultural value chain, is described in the literature. The section provides a basis for the subsequent analysis of the impacts of the GlobalGAP regulation mechanism on coordination in the horticultural value chain.

The contours of the world economy have changed during the past several decades especially in the areas of international trade and industrial organisation (Kaplinsky & Morris, 2001). According to Gereffi et al. (2005) the two most important developments of the global economy in recent years are

(1) globalisation of trade and (2) vertical disintegration of transnational corporations. Among other things, the globalisation of trade has lead to the advancement of industrial capabilities in a great number of developing countries. Vertical disintegration of production has given rise to the concept of the value-added chain, which is:

> *...the process by which technology is combined with material and labour inputs, and then processed inputs are assembled, marketed, and distributed. A single firm, often may consist of only one link in this process, or may be extensively vertically integrate* (Gereffi et al., 2005, p.79).

The metaphor of a chain highlights the fact that most goods and services are produced by a sequence of activities, which are carried out by multiple enterprises (Humphrey, 2006). Key questions for any company today are which activities and technologies should, due to cost advantages, be out-sourced and which should be kept in-house and what potential external location best serve a specific activity. These challenges in industrial organisation have led to a redefinition of transnational corporations' core competencies; from ownership of primary production to a focus on innovation and product strategy and marketing (Gereffi et al., 2005).

Acknowledging the fact that production consists of different activities and technologies that add value to the product, we can take it a step further and look at how these value-adding activities are organised, thus, how the coordination transpires in the value chain. The term 'fragmentation' explains the physical separation of different parts of the production processes (Gereffi et al., 2005). This fragmentation of processes has become international, which allows production to take place in different countries, but at the same time be coordinated via production networks between firms (Gereffi et al., 2005). Fenstra (1998) elaborates on this analysis and develops the understanding that the integration of trade is linked to the disintegration of production (Gereffi et al., 2005).

4.1.1 GOVERNANCE IN THE HORTICULTURAL VALUE CHAIN

The global value chain framework has emerged as a tool for understanding the dynamics of economic globalisation and international trade. It can be used to analyse how and by whom distinctive chains are governed, how the governance is exercised and whether there are systematic patterns to this governance (Gibbon & Ponte 2008). These governance patterns of global value chains are important for companies' opportunities and they affect how and why companies and countries advance in the global economy (Gereffi et al., 2005).

GLOBAL COMMODITY CHAIN AND GLOBAL VALUE CHAIN ANALYSIS

The global commodity chain analysis initiated by Gereffi in 1994 emerged as a framework for analysing production systems explicitly outside of the realm of national economies (Neilson & Pritchard, 2009). The framework spelled out a template method for the analysis focussing on three dimensions: 1) The input-output structure (the configuration of purchases and sales by actors in the chain), 2) Territoriality (the geographical extent of chains), and 3) governance structure (the issue of how chains are coordinated and who does the coordinating). The first two dimensions, the input-output structure and territoriality are straightforward descriptive mapping analyses in which the actors and their activities are recognized. The governance dimension in the value chain is defined as *"…the parameters that preconditions the terms under which the actors elsewhere in the chain must operate"* (Neilson & Pritchard, 2009, p.39). The initial literature identified two distinct types of governance structures: the 'buyer-driven' and 'producer-driven' chain. The concept of buyer-driven chains denotes the fact that global buyers use explicit coordination to develop a competent supply-base or make it possible to have global-scale production and distribution systems without direct ownership (Gereffi et al., 2005). The explicit coordination in vertically disintegrated chains can be contrasted with vertically integrated chains, called 'producer-driven' chains. With the latter concept attention is given to the role of networks in the co-evolution and cross-border industrial organisation (ibid.). The development of the global commodity chain framework constitutes the foundation for research in the 'chain' field, while more recent research has further developed the framework and added additional perspectives to the supply relationships in the global industrial organisation (Gereffi et al., 2005).

The initial framework has been further developed over the last 15 years and the wording 'global commodity chain' has along the way been replaced by the more inclusive 'global value chain'. The problem with the first wording is that 'commodity' is associated with raw materials, yet, much of the research was focussing on processing sectors. Another development has been the inclusion of a fourth dimension into the framework – the institutional perspective. This dimension was included due to the recognition that value chains do not exist in a vacuum but within a complex matrix of institutions (Neilson & Pritchard, 2009). Additionally, the governance dimension has been subject to discussions. Sturgeon (2002) and Sturgeon and Lee (2001) developed three types of supply-buyer coordination based on the *degree of standardisation* of product and process: The 'commodity supplier' providing standard products at arm's length market relationship, the 'captive supplier' making non-standard products dedicated to the buyer's needs, and the 'turn-key' supplier that produces customised products (Gereffi et al., 2005). Two main features are seen as decisive in the

analysis of their coordination: (1) the complexity of information and (2) the degree of asset specificity in production equipment (basically emphasises the investments needed to enable production) (ibid). In addition, Humphrey and Schmitz (2000; 2002) developed the distinctions between suppliers in quasi-hierarchical relationships (corresponding to the concept of captive suppliers) and buyers and network relationships characterised by firms cooperating due to the possession of complementary competences (Gereffi et al., 2005). This distinction stresses the role of supplier competence in determining the level of subordination in the supplier-buyer relationship, a role that we also emphasise in our analysis. A large investment from the buyer is needed if competence in the supply base is low.

These different developments in the literature have produced a more advanced typology of value chain governance (see table below) which we use in our analysis. The typology is based on the understanding that:

> *...market-based relationships among firms and vertically integrated firms (hierarchies) make up opposite ends of a spectrum of explicit coordination, and that network relationships comprise an intermediate mode of value chain governance* (Gereffi et al., 2005, p.83).

The typology of governance in global value chains according to Gereffi et al. (2005) contains the following five analytical types of coordination:

1. Markets	Arrangements characterised by spot price or repeat transactions in which the costs of switching partners are low for both parties
2. Modular value chains	Suppliers in modular arrangements make products according to customers' specifications
3. Relational value chains	Arrangements dominated by complex interactions and mutual dependencies between suppliers and customers
4. Captive value chains	Small suppliers held commercially captive to large buyers because of transactional dependence. Because of market and/or technological constraints, suppliers face considerable costs in switching to new customers, and thereby are placed in a subordinate position
5. Hierarchy	Systems of vertical integration within chains

Table 3: Five Types of Value Chain Coordination. Adopted from ((Gereffi et al., 2005); (Neilson & Pritchard, 2009))

The above typology of value chain governance types has, however, been criticised in the literature ((Ponte & Gibbon, 2005) and (Tallontire, 2007)). The criticism revolves around the claim that while the typology may capture relations between different actors in the chain, the categories do not characterise the governance of the overall chain. There needs to be differentiated between 'overall forms of governance' and 'forms of coordination' in the global value chain. We concur with this

criticism because the coordination between different nodes differs from each other, as our analysis shows. For this reason we use the typology to categorise the specific coordination between the nodes in the chain and not as a way of describing the governance of the overall chain. However, by looking at the buyer-driven nature of and power asymmetries in the horticultural value chain in section 4.3.2 as well as in section 5.1.1 and 5.1.2 we also include overall forms of governance in our analyses. Thus, our analysis includes both perspectives.

OPERATIONALISING THE TYPES OF GOVERNANCE

Three determinants help us in operationalising the above typology as they are defining features for the governance of global value chains (Gereffi et al., 2005). The determinants are 1) the complexity of transactions (The *complexity* of information and knowledge transfer required to sustain a particular transaction, particularly with respect to product and process specifications), 2) codifiability of information (the extent to which this information and knowledge can be *codified* and, therefore, transmitted efficiently and without transaction-specific investment between the parties to the transaction), and 3) the capability of suppliers (the *capabilities* of actual and potential suppliers in relation to the requirements of the transaction) (Gereffi et al., 2005). In section 4.3 we apply these determinants in the analysis and discuss the role that the incorporation of the GlobalGAP standard plays in relation to the determinants. The below table sums up and relates the determinants to the governance types.

Governance Type	Complexity of transactions	Ability to codify transactions	Capabilities in the supply-base	Degree of power symmetry and explicit coordination
Market	Low	High	High	Low
Modular	High	High	High	↕
Relational	High	Low	High	
Captive	High	High	Low	
Hierarchy	High	Low	Low	High

Table 4: Key determinants of global value chain governance (Gereffi et al., 2005)

4.1.2 THE CHARACTERISTICS OF THE GLOBAL HORTICULTURAL VALUE CHAIN

In this section we briefly introduce how the literature in general terms have described the characteristics of the global horticultural value chain. This knowledge will create depths to our analysis in this chapter as well as in chapter five.

The literature emphasises the point that horticultural trade increasingly is characterised by a value chain coordination in which the lead firms – Europeans retailers - exercise vertical coordination[11] ((Dolan et al., 1999); (Dolan & Humphrey, 2004)). It is thus a particularly buyer-driven industry. During the last twenty years the retailers have captured most of the market for imported fresh vegetables (Dolan & J. Humphrey, 2004). Traditionally, trade within the horticultural sector could be described as fairly simple due to the nature of the products. A tomato was a tomato and by default did not need any design or complex inputs. Consequently**,** the coordination between the actors in the chain was rather simple until the mid-1980s. Taking the trade between Kenya and the UK as an example, Kenyan exporters simply bought produce in wholesale markets or at the farm gates and exported it to the UK where it was sold on wholesale markets (Gereffi et al., 2005). However, according to Dolan and Humphrey (2004) and Humphrey (2006) the lead firms have increasingly incorporated characteristics that are otherwise mostly associated with the modern manufacturing sectors into the coordination of the global horticultural value chain. This entails that the retailers today drive product innovation and differentiation, expect just-in-time delivery, and define processing and quality parameters.

These characteristics combined with an increased emphasis on quality requirements and increased sales of non-standard products (e.g. prepared or mixed vegetables) are parts of a general development that makes asset specificity (investments in production facilities) of the suppliers necessary and thus transactions costs increase. This has resulted in much greater complexity in the coordination and need for greater governance in the value chain (Humphrey, 2006). Contemporary governance in the value chain is characterised by the fact that the supermarkets in the EU basically control the production in Kenya as well as other Sub-Saharan African Countries without having any direct investments in these countries (ABD, 2010).

Two major trends in the global value chains within horticulture are identified in the literature: 1) increasing importance of standards, and 2) increasing concentration in the value chain nodes. *Firstly*, the trends in agribusiness standards are influenced by:

> *The increasing stringency of public, mandatory standards relating to food safety; the shift from product standards to process standards; the increasing scope of standards; and the increasing importance of collective private standards* (Humphrey, 2006, p.23).

[11] Most of the literature we use in this section stems from analyses of the UK market. As the exporters in our cases have the UK as their by far biggest market the literature thus suits our analysis.

This point stresses the relevance of our scrutiny of the GlobalGAP standard within the setting of value chain analysis. *Secondly*, Humphrey (2006) argues that concentration among buyers in the value chain can be expected to lead to a concentration in production in cases where economies of scale can be obtained. Concentration basically means that fewer actors are involved in one of the activities in the value chain. According to Humphrey (2006) concentration has two important consequences: a) the consequence that concentration at one point in the value chain frequently leads to concentration at other points[12], and b) the consequence that concentration often creates oligopolies and inequalities in market power. We suggest that this is not only interesting because it affects the distribution of profits as profits tend to be reduced for firms at other levels in the value chain. It is also interesting because the powers of the market entail that few powerful buyers can dictate compliance to standards from their suppliers – and push the costs of conformity to the standards up-stream as well.

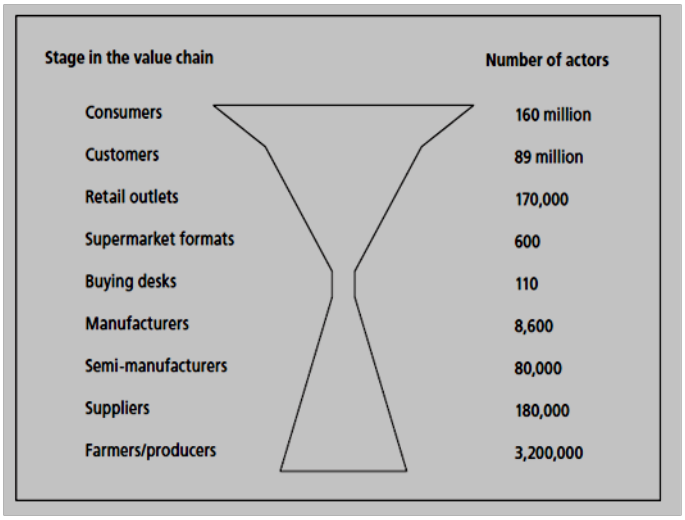

Figure 13: Value chain funnel (Humphrey 2006)

We explore and discuss both consequences in the analysis in this chapter as well as in chapter 5. Figure 13 depicts the concentration tendencies at different levels in the food value chain in general (of which horticulture is a part) in Europe and demonstrates that there are clear concentration tendencies at the 'Supermarket formats' and 'Buying desks' levels. A related issue is that previously imported horticultural produce to the EU was channelled primarily through wholesale markets, whereas the largest EU retailers now control 70-90 percent of fresh produce imports from Kenya and other Sub-Saharan countries (ABD, 2010). This adds to the concentration making the retailers even more important to the Kenyan exporters and smallholders.

Besides depicting concentration levels Figure 13 also illustrates the actors ordinarily involved in the horticultural value chain. The below figure expands this illustration with the main functions of the key actors involved in the horticultural value chain.

[12] Dolan and Humphrey (2004) explain that this phenomenon happens because the retailers aim at rationalising their supply chain. This among others entails that category management is introduced which means that the retailers group products into categories with only a few suppliers to each category.

Retailing	Sale to final consumer Branding, advertising
Importing **(Often kept in-house by large retailers)**	Delivery to retailer Transport to warehouse near final market Consolidating orders from various producers
Exporting	Collecting produce Sorting and packing produce Transport to importer
Production **(Smallholders)**	Sewing Harvesting Initial sorting

Table 5: The key actors in the global horticultural value chain

An important point to mention is that we in the subsequent analysis do not distinguish between retailers and other importers but have fused the two downstream actors together into the term 'European buyers'. The reason for doing so is that the exporters in our cases have multiple buyers and both sell directly to retailers and indirectly via importers or wholesalers. The distinction between the two actors is not important to our analysis as it is our exporters' and smallholders' perceptions of the requirements they meet from their buyers that is important.

We have now established an understanding of the horticultural value chain based on existing literature's characterisations. Furthermore, we have introduced some of the fundamentals in the global value chain analysis and therefore equipped us with analytical tools for the following analytical description and analysis of our two cases.

4.2 THE INCORPORATION OF THE GLOBALGAP STANDARD

The following sections analytically describe the two case studies of the dissertation. The analytical description focuses on the relationships between the smallholders and the exporters and between the exporters and the European buyers of Kenyan horticultural produce. This section also shows how the standard is incorporated in the coordination and the ways in which the GlobalGAP standard is perceived by the Kenyan actors. As our two cases share many similarities regarding the Kenyan conditions under which the actors operate the description of case two is slightly less comprehensive.

4.2.1 CASE 1: LARGE EXPORTER AND RELATED SMALLHOLDER GROUP

Exporter 1 is one of Kenya's largest exporters of horticultural products. The company, founded in 1979, is owned by Kenyans and is run by Kenyans. The company exports a range of premium and prepared vegetables. Their premium products include sugar snaps, runner beans, French beans, baby

corn, and spring onions among others (Interview Exporter 1, 2010). The prepared vegetables are sliced vegetables and all sorts of multiple mixes. All together the company exports 150 to 200 different product lines. Put in proportions 120-140 tons of premium and 80-90 tons of prepared vegetables are on average exported to Europe every single week. The company produces 90 percent of its sales at its own 11 farms, some of them as big as 1000 hectares (the company has 3000 hectares in total which equals 7413 acres[13]) scattered across the country in order to take advantage of as well as spread the risks of all the different climatic conditions in Kenya. Exporter 1 employs 8000-8500 people in total, including employees at the company's farms and at packaging facilities in Nairobi and Mombasa. 10 percent of the exporter's sales originate from 1700 independent smallholders primarily concentrated in the Mt. Kenya and Tsavo areas, 3 hours from Mombasa. The figure below provides an overview of the horticultural value chain for Exporter 1. The boxes with un-cut frames depict the actors of our focus.

Facts – Case 1

Exporter 1
Exports weekly: 200-230 ton
Employees: roughly 8750 (excluding contracted smallholders)
Processing facilities in Nairobi and Mombasa
Own Farms: 11 covering 7413 acres of land. 90 % of sales stems from own production.
Buys produce from: 1700 independent smallholders. 10 % of sales stems from these smallholders

Smallholder Group 1
2 groups consisting of 10-15 farmers.
Located 3 hour drive from Mombasa.
Part of a 450 smallholders in the same area organized into 35 groups and 5 clusters.

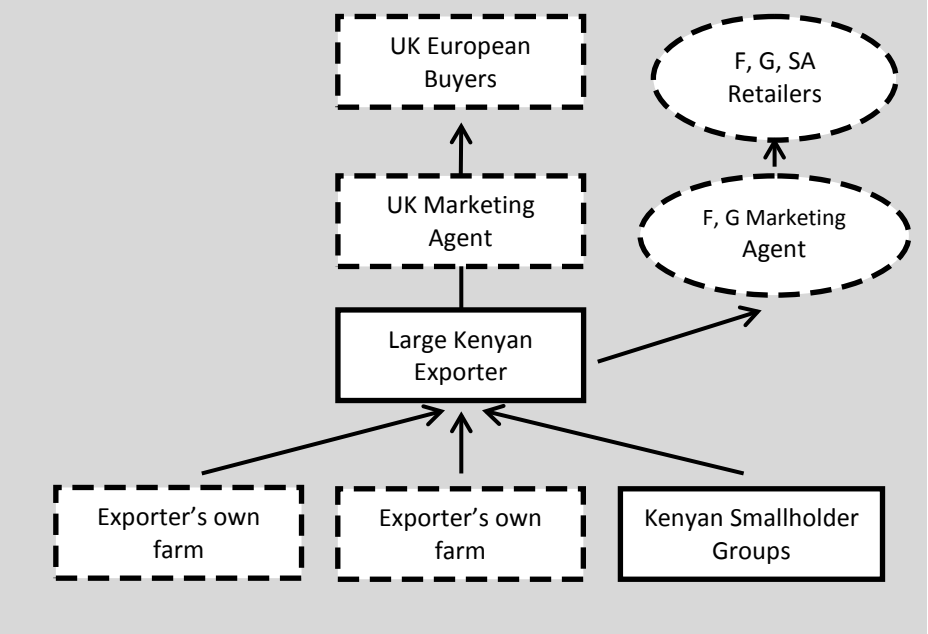

Figure 14: The global horticultural value chain - Case 1

THE RELATIONSHIPS BETWEEN EXPORTER 1 AND ITS EUROPEAN BUYERS

The UK is by far the biggest market for Exporter 1. 90 percent of its total produce is exported directly to the UK to the country's leading retailers (Sainsbury's, Tesco, Marks and Spencer, Morrisons) taking

[13]One acre is 64 times 64 m

80 percent and the catering sector (pubs, clubs and hotel chains) comprising of 20 percent. Other markets are France, Germany and South Africa where the company exports to leading retailers as well. The relationships between the exporter and its European buyers are not contractual, as the general manager explains:

> *There is really no contract. British supermarkets are notorious. They don't really give you a contract at all. There is some sort of unwritten contract that is out there and they give you a set of standards that you have to work to* (Interview Exporter 1, 2010: l.117-119).

Instead, Exporter 1 receives a programme aiming at forecasting events from the company's marketing agent in Europe. The programme which is updated on a quarterly basis forecasts the demand for every individual product line. In spite of the fact that it is not a contractual arrangement, Exporter 1 has no other option than to use it to plan its annual production. This is, however, a risky affair as the actual orders are received on a weekly basis from the retailers requiring Exporter 1 to adjust its production accordingly.

According to Exporter 1 it is pivotal to be able to live up to its commitments to the customers: If the agreement is 50 tons of French beans a week the next three weeks, Exporter 1 is in big trouble if it cannot supply the demanded amount. Otherwise, the important order will in the future go to the competitors (Interview Exporter 1, 2010). The general manager of Exporter 1 describes the company's relationship with the retailers as generally a "*one-way-street*", implying that the retailers solely dictate the terms of cooperation. However, Exporter 1 has over the years been able to build up an internal system that makes it able to juggle the changing production needs. According to the general manager *"they know what to do"* (Interview Exporter, 1 2010: l. 128-130).

Once every year each UK retailers tends to visit Exporter 1 in Kenya in order to inspect its production sites and to discuss product innovation and development as well as price setting. The general manager describes this process as a 'wrestling' act, a term that also applies to the price setting of their products which are under constant negotiations:

> *We have long discussions with them. It is very hard. We tend to be... you know they wield a lot of power these buyers. You are very much under their control in some respects* (Interview Exporter 1, 2010: l.144-145).

It is the practice of the retailers to keep employing new personnel in their purchasing division every year and to keep them for a maximum of two years according to the general manager of Exporter 1 (Interview Exporter 1, 2010). In this way the retailers maintain a tremendous pressure on their

suppliers, because each new purchaser is working decisively towards either keeping or decreasing the prices without becoming emotionally attached to suppliers. When the financial crisis hit the industry the hardest Exporter 1 was, however, due to its relative size and level of its infrastructure (its farms, processing facilities and network of smallholders), able to force the retailers to adjust prices according to price inflation on inputs. Yet, this was not an easy arrangement: It only happened when the top management of the exporter went to the UK and in frank terms explained that it would seize to exist under the present circumstances (Interview Exporter 1, 2010).

As illustrated in figure 14 there is currently a third party between Exporter 1 and the UK retailers: a marketing agent. This marketing agent handles the company's exports and the initial contact to the retailers. Exporter 1 has, however, during the last 15-20 years experienced high growth rates and is now the main part of the marketing agent's business. The general manager of Exporter 1 thus believes that the company has the experience and size to control its own marketing (Interview Exporter 1 2010). Therefore, Exporter 1 actively looks into setting up its own marketing agency in the UK.

As is clear from the above analysis, the coordination between Exporter 1 and its buyers is characterised by power asymmetries with European buyers setting the rules of the cooperation. However, the exporter is able to negotiate the terms of trade in times of distress due to its size and production capabilities.

GLOBALGAP IS A MINIMUM REQUIREMENT FOR BUSINESS

As soon as British retailers adopted the GlobalGAP standard 3-5 years ago, they went to Exporter 1 and required that the company immediately started fulfilling the GlobalGAP requirements. This had a huge impact on Exporter 1:

> *It changed everything. It changed the way we operate. It changed the control in the operations. Well, not to say that there wasn't any control. There was, but it was less guided* (Interview Exporter 1, 2010: l.418-419).

Prior to the introduction of the GlobalGAP standard Exporter 1 used to have about 4000-5000 smallholders supplying vegetables for further export. But due to the control systems required and the extensive knowledge that is necessary to become GlobalGAP certified the exporter initially had to drop every single smallholder and stick to its own farms where it re-structured its own pre-gate farm operations. The general manager of Exporter 1 explains that the company found it easier to implement the GlobalGAP standard on its own farms as everything is under the company's explicit

control (Interview Exporter 1, 2010). It is much more straight-forward to adopt the GlobalGAP standard when your land is fenced, when you employ the people and they have to follow every single rule that you impose in the system (Interview Exporter 1, 2010. Having implemented the GlobalGAP standard at its own farms and feeling comfortable managing it sufficiently, Exporter 1 was equipped to extent its business to also include external smallholders in the cooperation and implement the GlobalGAP standard at their farms. At the moment Exporter 1 cooperates with about 1500 smallholders.

Today Exporter 1 actually appreciates the GlobalGAP standard. Because, as it is framed by the general manager, the GlobalGAP standard does not say – 'do not spray'. It only says 'spray appropriately and be disciplined and record what you are doing' (Interview Exporter 1, 2010). The general manager of Exporter 1 believes that the GlobalGAP standard fits right into the way in which the exporter runs its big farms as the standard has been a tool to help them optimise the processes across their farms. Being as big as the company is, Exporter 1 does not even see the GlobalGAP standard as something extraordinarily demanding, but merely as a natural entrance point to the market:

> *If you don't have GlobalGAP they won't trade with you...it's base level. [If] You can't go GlobalGAP, you are not even in the running. GlobalGAP is a starting point* (Interview Exporter 1, 2010: l.574-595).

According to Exporter 1 the point that challenges exporters in their category is the implementation of additional standards such as the retailers' own standards (e.g. Tesco's 'Natures choice' and Marks and Spencer's 'Field to Fork') or Organic or Fair Trade standards (Interview Exporter 1, 2010). Yet, the implementation of these standards is also a possibility to stand out in the eyes of the retailers. As a result of requirements of all the different standards, Exporter 1 has employed a whole team of full time internal auditors and trainers, who overlook the day-to-day implementation of these and the GlobalGAP standard both at Exporter 1's own farms and at the external smallholders' farms.

Concurrently with the introduction of the GlobalGAP standard, Exporter 1 has experienced that downstream actors have become very strict regarding the level of MRLs in the produce. The European buyers do regular sample tests of their imports and if suspicious MRLs occur or traces of banned pesticides or bacteria are detected, they order the exporter to conduct an investigation into the origins of the produce and the chemicals used. The general manager elaborates:

> *And we usually come back and say, yes that's correct. And now we have withdrawn the crop...They tell us to watch out, and they will do more testing. And send us the bill* (Interview Exporter 1, 2010: l.516-518).

The quote illustrates the fact that Exporter 1 constantly needs to signal its consistency and control regarding the use of pesticides. In the situation the general manager refers to here, the MRL level detected was actually still below the accepted levels. If they had been above the accepted levels it would mean that the retailers would penalise Exporter 1 and in case of recurrence stop buying its products (Interview Exporter 1, 2010).

From the above we can conclude that it is not enough for a Kenyan exporter to be GlobalGAP certified by an accredited auditor. Exporter 1 needs to be and constantly signal that it is in complete control, as market mechanisms will sanction them fiercely if they step out of line. This means that internal control mechanisms are alpha and omega for Exporter 1. Due to the control over its own farms Exporter 1 feels that the challenge is manageable. This is in contrast to the control Exporter 1 can exercise over the production at their external smallholders (Interview Exporter 1, 2010). Exporter 1 is, consequently, constantly working towards optimising its control of the smallholders. The GlobalGAP standard is in this context an important tool for Exporter 1 to perform this oversight and thus ensure the same level of quality at the smallholders as on their own farms:

> *The good thing is actually that it's a single standard, so what we do in our farm with 500 hectares [1235 acres], he [the smallholder] does at his farm with 2 acres and that for us is everything* (Interview Exporter 1, 2010: l.426-428).

As the standard is a flexible system that applies to all farms, Exporter 1 has the benefit of employing experts in its mechanisms. At the same time the standard's emphasis on traceability enables the exporter, when so requested by European retailers, to dig into the records and trace for example the origin of MRLs and act upon it.

RELATIONSHIP BETWEEN EXPORTER 1 AND SMALLHOLDER GROUP 1

In the following section we show how the GlobalGAP standard figures in the relationship between Exporter 1 and one of its related smallholder groups.

In 2008 Exporter 1 started a project in the Taita area located halfway between Nairobi and Mombasa together with the Danida funded ABD component. The smallholders in the region had not previously produced horticultural products for export, but only for the local market. The chilly hills and fertile soil provide excellent conditions for horticultural production, yet the long distance to Nairobi meant that exporters previously have been hesitant to start cooperating with the smallholders; Nairobi has

historically been the place from which horticultural produce has been freighted to Europe (Interview Exporter 1, 2010). Now, smallholders with plots ranging from ¼ acre to 2 acres have initiated the production of mainly French beans and sugar snaps, but also baby corn, aubergines and bullet chillies. These vegetables are framed exotic vegetables in Kenya as they historically and still to a large extent are not sold or consumed locally. The smallholders in the Taita areas are divided into 35 groups organised in five clusters, whereby the groups can share facilities such as grading sheds with their neighbouring groups. The smallholders in the area are as of December 2010 able to grow a weekly produce of 16 ton, but Exporter 1 aims at receiving 30 tons per week in the nearby future. This high target should be seen as connected to Exporter 1's investments in new processing facilities in Mombasa; an investment that is closely linked to the cooperation with the smallholders in the Taita area.

Knowing the strict requirements the exporter face through the GlobalGAP standard and other standards and pressure from the retailers in terms of delivery-on-time and managing risks like MRL levels, an obvious question is why Exporter 1 even ventures into the challenging cooperation of involving external smallholders: Why not just keep production at the exporter's own farms?

Firstly, Exporter 1, in order to meet volume requirements from European buyers, need to look beyond its own farms for produce. The smallholders in the Taita area occupy fertile land where mechanised production is not possible, which is a pre-condition at Exporter 1's own farms. The hilly topography makes the use of tractors and big irrigation systems impossible and manual preparation of the soil a must – something which the smallholder can easily supply. Secondly, the smallholders have the possibility to do continuous crop rotation between cash crops for exports and crops for the local market or self-consumption, which means that they can avoid exhausting the soil. This is a viable argument because growing tomatoes, cabbage or potatoes for the local market or for self-consumption is a viable second option for the smallholders, but not for the exporter (Interview Exporter 1, 2010). Thirdly, Exporter 1 sees it as its moral responsibility to integrate the Kenyan smallholders in trade and, thus, provide income to a poor part of the Kenyan population. This, additionally, adds a social dimension to their corporate profile, which they can use as a marketing tool in Europe. Some European buyers in fact request this social profile (Interview Exporter 1, 2010).

The incentive for the smallholders to participate might seem obvious as the cooperation with Exporter 1 creates jobs and income for themselves and the otherwise poverty stricken area, but reality is more complex. In Kenya the relationship between horticultural smallholders and buyers (for

local market as well as export) is exceptionally tainted (Interview ABD Officer 2010). The practice of dishonouring contractual agreements between smallholders and buyers has historically been a very common phenomenon:

> *This leads to breach of the agreements when there is over-supply of produce on the side of buyers and the farmers breaching the contracts through side selling during periods when there is undersupply of produce* (ABD 2010: iv)

Scenarios of smallholders investing time, labour and money in their production only to be disappointed by buyers are widespread in all areas of Kenya: The smallholders produce the crops agreed upon only to discover that it is either never collected or that the price they receive is much lower than agreed. The reverse, however, also happens: The exporters find out that though they have distributed seeds or invested in capacity building the produce harvested have been side-sold to individual brokers or "brief case exporters" ((Interview ABD Officer 2010); (Humphrey, 2006)(Humphrey, 2006)(Humphrey, 2006)(Humphrey, 2006)). According to Exporter 1 this has tormented many relationships between smallholders and buyers and trust building and loyalty have become essential, as the general manager of Exporter 1 describes:

> *...this is probably our biggest challenge I would say; bigger than the controlling of chemicals and sprays and so on. The loyalty thing is very very tricky and we are still working on it....make them understand that they are part of something bigger and if they remain loyal, then we can take their products twelve months a year* (Interview Exporter 1, 2010: l.349-350).

BUILDING TRUST AND LOYALTY

In the initial phase in the summer of 2008 Exporter 1 allied with the ABD and the Kenyan Ministry of Agriculture. Through local administration and chiefs in the Taita area they organised a series of meetings with the smallholders. During the meetings the smallholders were informed by Exporter 1 and ABD about the potential gains in growing vegetables for export (Interview ABD Officer, 2010). The managing director of Exporter 1 was personally involved and visited the smallholders telling them about his commitment to be a trustworthy companion in the venture, and promised that he would buy whatever they produced as long as the produce met the appropriate standards (Interview ABD Officer, 2010). The presence of the managing director and equally important the Ministry of Agriculture and the ABD were influential in establishing the first grain of trust and convincing the smallholders that vegetable production for export was worth pursuing (Interview ABD Officer, 2010). The production of vegetables is, however, a fragile path to trod and it has been vital for the preservation of the smallholders' loyalty that Exporter 1 consciously and continuously makes an effort to signal its trustworthiness (Interview Exporter 1, 2010). For instance this is done by ensuring

the smallholders that the entire legal framework surrounding the cooperation is co-signed by ABD and the Ministry of Agriculture (Appendices 8.3.2 and 8.3.3). This includes the contracts between Exporter 1 and the individual smallholder groups, between the group and the group members, and the constitutions of each smallholder group. According to the local ABD officer this is important:

> *...so that the farmers know that what is going on is not just fishy business or some broker coming to swindle them. Everything is made transparent – the ABD officer signs as a witness, the ministry of agriculture will also sign* (Interview ABD Officer, 2010: l.200-2).

When asked about the relationship with Exporter 1, the smallholders talked positively about how Exporter 1 is very understanding and willing to listen to them (Field Notes Smallholder Groups 1, 2010). The smallholders emphasise that Exporter 1 always comes and picks up the produce and pays them as agreed upon. Even in the case of the Icelandic volcano eruption in 2010 blocking transport to the UK, Exporter 1 kept on buying the smallholders' produce even though it had to be dumped at the exporter's packaging site (Field Notes Smallholder Group 1, 2010). This behaviour by Exporter 1 clearly makes an impression on the smallholders. The positive impression of Exporter 1's loyalty is further underlined by another story the smallholders told us: When the Kenyan government introduced a new regulation on the issue of scales for weighing the produce, Exporter 1 stepped in and helped the smallholders to buy new scales and afterwards deducted the costs from the smallholders' proceeds (Field Notes Smallholder Group 1, 2010).

THE CONTRACT AND TECHNICAL ASSISTANCE

Another way of establishing loyalty and trust in the relationship between the smallholder group and Exporter 1 is of course by consistently honouring their mutual agreements. Every smallholder group in the Taita area has one-year contracts with Exporter 1 specifying the responsibilities of both parties (Appendix 8.3.2). The smallholders must according to the contract 1) strictly adhere to principles of good agricultural practices of the GlobalGAP standard, 2) keep proper and updated records throughout the cropping cycle[14], 3) establish collection centres and grade the produce according to the recommended standards, 4) label crates to ensure traceability, 5) plant seeds supplied by the exporter in the same week, 6) not sell the produce stemming from the exporter's seeds to other exporters or brokers (Appendix 8.3.2). Exporter 1 must according to the contract 1) source the seeds to be planted and sell them to the smallholders on either cash or credit basis, 2) provide technical assistance on crop protection and record keeping, 3) supply crates for packing produce, 4) guarantee collection three times a week, and 5) pay the individual smallholder fortnightly for all the produce

[14]The cropping cycle varies from crop to crop. An example is French beans that have a 3 month cycle of which it can be harvested 5-6 times.

net of rejects (Annex 8.3.2). In addition to that, the contract stipulates a fixed price for each vegetable (in 2010 this was 70 and 35 shillings for, respectively, sugar snaps and French beans) and that total rejects (discarded produce due to non-conformity with quality requirements), upon final grading at Exporter 1's facilities in Mombasa, will be distributed proportionally across group members. The fixed price is negotiated yearly and is according to Exporter 1 extremely difficult to set because it by default cannot be competitive with what the brokers and briefcase exporters are willing to pay during periods of undersupply at the market (Interview Exporter 1, 2010). Additionally, the contract stipulates that it is the exporter who determines the quantity of seeds and the crop variety to be planted by the smallholders (Appendix 8.3.2). This basically means that the smallholders work according to Exporter 1's planning orchestrated by the exporter's technical assistant on the ground (Field Notes Smallholder Group 1, 2010). Exporter 1 employs 12 people in the area: An out-grower manager (regional manager), who communicates with Exporter 1's head office and coordinates the activities – planting, training and day-to-day administration; and technical assistants in direct contact with the smallholders providing them with agronomical assistance – telling the smallholders what to plant, when and what to spray among other (ibid.). Exporter 1 also makes sure that the right kinds of pesticides and fertilisers are available and sell it at subsidised prices to the smallholders.

It can be seen in the above that the coordination between Exporter 1 and the smallholder groups is extremely tight. Exporter 1 has been part of setting up the smallholder groups and supports and monitors closely the smallholder groups on a daily basis in terms of complying with the GlobalGAP standard through the locally posted technical assistants.

GLOBALGAP IS A CONTROL TOOL FOR EXPORTER 1

The above suggests that GlobalGAP implementation at the smallholders is comprehensive and necessitates the involvement and support of the exporter. GlobalGAP certification of the smallholders is a costly affair. The final GlobalGAP audit of a smallholder group costs alone around 3-500.000 Kenya shilling for the accredited certification bureau (Interview ABD Officer, 2010). In addition to this high one-time cost, other costs relate to the training of the smallholders on issues like crop protection, hygiene, the use of chemicals, first aid and produce handling as well as formal registration of the groups, building structures (e.g. toilets, storage sheds, grading sheds), personal protective equipment for handling chemicals, water pumps and pipes for irrigation (Interview ABD Officer, 2010). Most of the costs, except for the final audit, are shared between Exporter 1 and ABD. This means that the investment requirements of the smallholders are kept at an achievable minimum

and limited to covering 30 percent of the necessary structures. The smallholders can contribute with labour and local material like sand and bricks (Interview ABD Officer, 2010).

This arrangement of cost sharing means that the risk of the smallholders is kept at a minimum and restricted to the normal risks that farmers all over the world face such as deceases, lack of rain causing draught or too heavy rain resulting in deceases or landslides. All of which can affect the yields. The real challenge related to the GlobalGAP standard is for the smallholders to really grasp how to do things right and why. We further elaborate on this in chapter 5 but give an example here: Keeping records (28 forms are to be filled just to get the certification) is for instance difficult, if you are illiterate (Interview ABD Officer, 2010). As are the guidelines for the use of chemicals:

> *...if you spray this chemical – check the list – and if it is authorised then you have a withdraw period of four days before you can harvest and you can do this and you can't do that and you have to record this. When you are spraying you need to wear proper PPE [personal protective equipment] and so on. So there is a great long list of stuff that they have to think about when they are growing to GlobalGAP standards. And the TA is supposed to do that [check whether the smallholders comply]* (Interview Exporter 1, 2010: l. 281-285).

Consequently, the TAs are heavily involved in the day-to-day operations on the farm level supervising every production related decision. As explained above the pressure from European buyers requires this kind of control over the smallholders, because the consequences of for instance detection of too high MRL levels are massive. Exporter 1 not only monitors at the production sites through the TAs, but also conducts 15-20 pesticide tests per week (Interview Exporter 1, 2010). Detection of MRLs above the accepted GlobalGAP standard level has great consequences for not only the individual smallholder, who has handled the chemicals incorrectly, but to the whole group:

> *We will stop the group initially...and say your group has broken the rules. Sorry, you have to have some control within your group, if you don't have control, discipline within your group, I'm going to another group. It's hard...I'm convinced that if we don't hit it on the head now, you know, basically the whole of Europe – forget it* (Interview Exporter 1, 2010: l.494-498).

Thus the mechanisms in the GlobalGAP standard - the fact that smallholders are certified as a group and the severe record keeping aspects securing traceability - are important control tools for Exporter 1 to secure its supply of safe vegetables to Europe.[15]

[15] In section 4.3.2 we analyse these control mechanisms in detail by applying the analytics of government. In chapter 5 we furthermore expand and discuss the issue of group sanctions and group dependency.

4.2.2 CASE 2: A SMALL EXPORTER AND ITS RELATED SMALLHOLDER GROUP

Exporter 2 is one of the smaller exporters in Kenya. It operates from its headquarters and processing facilities in Nairobi. Exporter 2 owns two farms at which the company itself grow horticultural products for export. In addition, it sources produce from 250 smallholders in the highlands around Nairobi. Exporter 2's main product-lines include French beans, sugar snaps, snow peas and baby corn. Exporter 2 also exports a smaller amount of baby carrots and when season allows it, avocado.

Facts – Case 2

Exporter 2
Exports weekly: 15-25 ton
Employees: roughly 120 (excluding contracted smallholders)
Processing facilities in Nairobi
Own Farms: 2 covering 40 acres of land. 20 % of sales stems from own production.
Buys produce from: 250 independent smallholders. 80 % of sales stems from these smallholders

Smallholder Group 2
1 group consisting of 14 smallholders.
Located 4 hours drive from Nairobi.

EXPORTER 2 AND ITS RELATIONSHIP WITH EUROPEAN BUYERS

The below figure illustrates the value chain for Exporter 2, where the uncut lines depicts the actors of our focus. As illustrated in the figure Exporter 2 has a more complex web of relationships with European buyers than in the case for Exporter 1. Exporter 2 has costumers in the UK (its biggest market), Germany, Denmark, Norway, France and Spain. It has three main costumers in the UK; one who sells the produce to the wholesale market, one who sells directly to the retailers and one who does both. The importers in Germany sell the produce to retailers. In Denmark, Norway and France the produce is sold directly to the retailers (Interview Exporter 2, 2010).

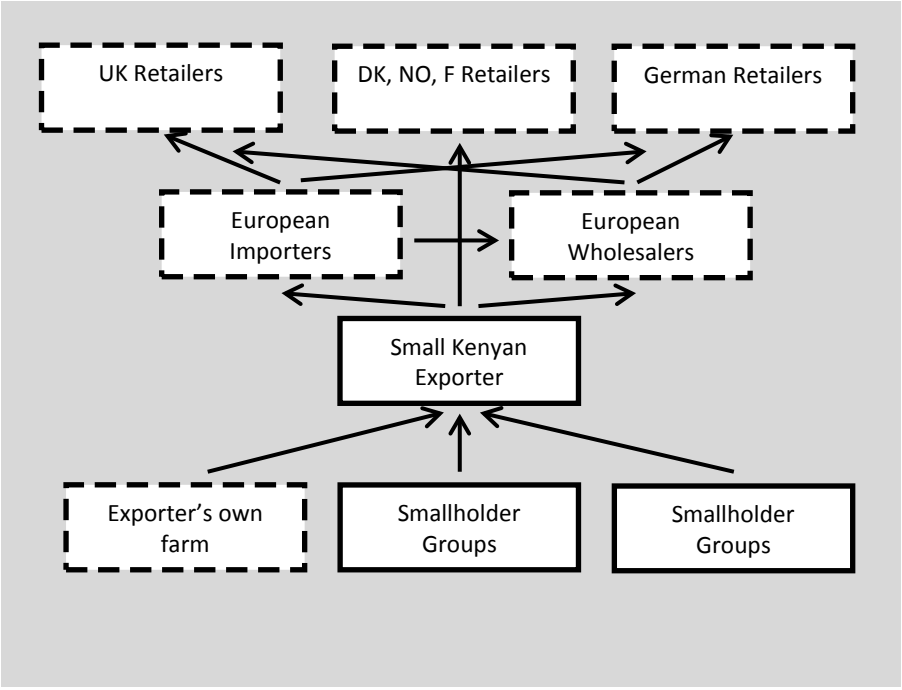

Figure 15: The global horticultural value chain - Case 2

The relationships between Exporter 2 and its buyers in Europe are not contractual and sales are based on day-to-day demands. Similarly to Exporter 1, the prices for Exporter 2's products fluctuate according to demand and volume available on the market for horticultural products around the globe. This market reality challenges Exporter 2 in terms of its production planning and the situation can only be seen as an advantage to the European buyers, because the buyers in this way get maximum flexibility in their sourcing practices. The situation reflects the buyer-driven nature that characterises the horticultural value chain as described in section 4.1. Exporter 2 has previously tried to establish longer lasting contracts (six months) with some buyers. Exporter 2 and the buyer agreed on fixed prices (not volumes) on certain products, however, the managing director found that the buyers during the period changed their behaviour according to market trends (Interview Exporter 2, 2010). This meant that volumes demanded from the buyer would decrease if the market price was below the contracted price and vice versa. This made the managing director of Exporter 2 realise that it was not working to the company's benefit and contracts have since then not been a part of its interactions with European buyers (Interview Exporter 2, 2010). Exporter 2 has, however, been able to establish a relationship with two buyers from respectively the UK and Denmark who have agreed to forecast their needs one week ahead. This provides some manoeuvre room for the exporter and as these demands are regular, Exporter 2 is able to work on average planning. The rest of Exporter 2's costumers, however, are less willing to forecast their import requirements, which necessitates Exporter 2 to work on a day-to-day basis depending on own pricing and the buyers' demands. Long lasting relationships with the buyers, however, enable Exporter 2 to know that even though its prices might be a bit high compared to the market in general the buyers will still order a certain volume. It is on the basis of this knowledge that the exporter does its planning. The concept of loyalty also plays a decisive role in Exporter 2's relations with buyers in Europe:

> *Loyalty is where they will come back. They ordered today they will come tomorrow. They will come the next month and we also talk. A lot of them would when we are talking say... we really want to buy your products, our customers are asking for your brand… So that makes me capture that, oh, so my brand has some loyalty, not only to my importer but to their costumers [retailers, consumers]* (Interview Exporter 2, 2010: l. 256-260).

GLOBALGAP – A REQUEST FROM ABOVE

Initially Exporter 2 perceived the introduction of the GlobalGAP standard as a threat to the SME business in Kenya, including its own business (Interview Exporter 2, 2010). In the view of the managing director of Exporter 2 the large exporters had the financial muscles to overcome the financial burden of GlobalGAP certifying their own farms and Exporter 2 therefore started to move away from smallholders. The managing director of Exporter 2 explains that the large exporters

established large scale GlobalGAP certified farms themselves and produced high value produce for the export market (Interview Exporter 2, 2010). The GlobalGAP standard was, however, not introduced overnight to Exporter 2 by its customers. Exporter 2 experienced that buyers gradually pressed for compliance to the standard and repeatedly and more intensively were asking how the certification process was going (Interview Exporter 2, 2010). Initially Exporter 2 initially looked at the GlobalGAP standard as *"...a monster targeted for the small guys to be elbowed out of the market"* (Interview Exporter 2, 2010: l. 144-145). Exporter 2 was, however, with assistance from a number of donors able to overcome the burden of going through certification of its own farms, while still keeping a relationship with the smallholders (Exporter 2, 2010). The first-hand experience with the GlobalGAP requirements made the managing director of Exporter 2 realise that it might not be as evil as they had first expected:

> *…they are just asking safe use of pesticides, they are asking hygiene, they are asking just normal things that a human being should follow. And to me these days it's not a big thing - it's a normal thing. It's like brushing my teeth in the morning…it's a way of farming that we need to do right…So I would see it now not as a monster as I looked at it initially when it was introduced* (Interview Exporter 2, 2010: l.167-172).

According to Exporter 2 the market has changed since the introduction of the GlobalGAP standard and the company's compliance with the standard (Interview Exporter 2, 2010). Whereas Exporter 2 previously was dependent on only a few buyers the company has experienced that the certificate becomes a marketing tool that enables the company to move its products to other buyers as they become interested in taking the exporter on board. Holding the certificate means that Exporter 2 receives more enquiries and more offers from buyers. Interestingly, the GlobalGAP certification has, thus, changed Exporter 2's relationship with its European buyers. However, also in a negative sense: Where loyalty used to be detrimental in its relationships with the buyers, its role is now, according to the managing director, decreasing:

> *...because at the end of the day the buyer in Europe will say, wait a minute I'm getting certified products from everyone in Kenya. And [Exporter 2] is a little bit more expensive, why should I keep buying from [the company]?* (Exporter 2, 2010: l. 571-573).

It is not only from exporters in Kenya that Exporter 2 feels the competition (Interview Exporter 2, 2010). In addition, GlobalGAP certified products also come from other countries like Zimbabwe, Morocco, Guatemala and Egypt. This increases the availability of safe products and, thus, the sourcing opportunities of buyers in Europe and decreases the loyalty in the sourcing system.

Exporter 2's relationships with buyers can, thus, be characterised as arm's length exchange relationships due to the exporter's lack of permanent business arrangements with European buyers. Though both the small and large exporter is without definite contracts with European buyers, the large exporter has closer ties to buyers than the small exporter. Compliance with the necessary standards, like the GlobalGAP standard, is of decisive importance for both exporters and is the entrance ticket to the European market.

THE RELATIONSHIP BETWEEN EXPORTER 2 AND THE RELATED SMALLHOLDERS

Besides the products that Exporter 2 produces on its own farm the company cooperates with groups of smallholders who supply products for further export. The relationship between Exporter 2 and the smallholders differs tremendously from the arms-length relationship that characterised the exporter-buyer relationship. Exporter 2 is not only collecting the products, packaging and preparing it for transport to Europe, but is also heavily involved in the pre-farm gate activities. This is due to the GlobalGAP requirements. Previously, Exporter 2 used to source products from smallholders through middlemen (agents) that bought the products from various smallholders and sold it to exporters: A situation that according to the managing director changed due to the GlobalGAP standard (Interview Exporter 2, 2010). The demand for certified products necessitated more permanent and controlled relationships between the exporter and its sourcing network. This has entailed that Exporter 2 now has contractual relationship with several smallholder groups in order to secure GlobalGAP certified products. Exporter 2 now also provides technical assistance to its related smallholder groups aimed at up-grading the smallholders to the GlobalGAP standard level. The smallholders are for instance offered assistance in areas such as book keeping (extra assistance is needed if the smallholder is illiterate), use of chemicals, crop protection management, the integration of hygiene requirements, handling the products after harvest, and grading of their products according to the GlobalGAP quality requirements. The quality grading of the products takes place at a number of stages: Firstly at the farm site, then at the collection centres in the area where the smallholders live and lastly at Exporter 2's facilities. The grading process at the collection centres is overseen by a collection centre manager employed by Exporter 2. As in the case for the large exporter, the contract between Exporter 2 and the smallholder groups also stipulates a fixed price for the products. Exporter 2 pays for all the crops it collects at the collection centres, even though further grading takes place after pick-up, sometimes resulting in the company not being able to export some of the crops (Interview Exporter 2, 2010). According to the managing director of Exporter 2, the exporter's relationship to the smallholders is of such a close character that Exporter 2 can control the smallholders' production according to demand: Exporter 2 for instance tells the smallholders to postpone their harvesting and also renegotiate the

product price in times where the global market price is low because of a general high supply of that specific product (Interview Exporter 2, 2010).

4.2.3 PART CONCLUSION: THE INCORPORATION OF THE GLOBALGAP STANDARD

The cases of both exporters and their related smallholder groups clearly illustrate the fact that the overall governance in the global horticultural value chain can be characterised as strictly buyer-driven. The retailers in particular wield a lot of power and the market system is a one-way-street with the retailers basically setting the terms of cooperation for the value chain as a whole. The descriptive analysis of our case studies shows that an absolute minimum requirement for participation in the value chain is compliance with the GlobalGAP standard. Compliance is in principle voluntary, but in practice it has, however, been forced by the European buyers upon all up-stream actors who wish to participate in the chain. Therefore, the GlobalGAP standard can be said to have become a de facto mandatory standard that affects not only its regulatory targets – the smallholders – but also the exporters. Interestingly, the up-stream actors, be it smallholders or exporters, in general, regard the GlobalGAP standard as something positive or a 'normal thing' and 'not a monster'. What the analysis also shows is that the GlobalGAP standard contains some features that accommodate the up-stream actors with tools for organising their own in-house practices and their coordination with other actors more efficiently.

4.3 GLOBALGAP AND THE GOVERNANCE OF THE GLOBAL HORTICULTURAL VALUE CHAIN

In this section we focus the information acquired in the above descriptive analysis, about how the GlobalGAP standard is employed in the horticultural value chain, into two interconnected analytical steps. Firstly, we analyse the characteristics of the coordination between the actors of the global horticultural value chain. This analysis is based on the global value chain framework and shows that the coordination between the exporters and European buyers differs tremendously from the coordination between the exporter and the smallholders. Secondly, we use the analytics of government to make explicit the rationality of the ways in which the GlobalGAP standard is incorporated in the overall governance of the global horticultural value chain.

4.3.1 GLOBALGAP AND THE COORDINATION BETWEEN THE ACTORS IN THE HORTICULTURAL VALUE CHAIN

The following analysis of the coordination between the actors in the horticultural value chain shows that the GlobalGAP standard constitutes an important part of this coordination. The analysis revolves

around the three determinants discussed in section 4.1: *complexity of transaction, ability to codify transactions* and *the capabilities in the supply-base*.

EUROPEAN BUYER-EXPORTER COORDINATION: THE GLOBALGAP STANDARD AS A CODIFIER

Trading in fresh vegetables has become an increasingly complex business. Not only is it a business where pace is important and where the retailers expect the supply of vegetables to reach their outlets when they need it, the products are also expected to live up to a range of different quality and process requirements in order to satisfy EU legislation and consumers' food scare. Additionally, especially in the case of the UK market, the products are expected to be pre-packed, prepared and mixed to differentiate the retailers in the eyes of the consumers. Both exporters of our case study expressed that the coordination with the buyers in Europe was based on a day-to-day communication in general and week-to-week under fortuitous circumstances (Interview Exporter 1 and 2, 2010). Neither Exporter 1 nor 2 had contracts to create certainty about sales, though there were more stable trading understandings between the larger Exporter 1 and its buyers than what the smaller Exporter 2 experienced. This places enormous pressure on the exporters, as they have to navigate in uncertain waters where failure to live up to the requirements means that the European buyers will look elsewhere for supply. These circumstances have entailed that exporters are required to employ tactics like owning farms themselves in order to create a stable supply base. They do, however, also enter into close cooperation with smallholders as their own production is insufficient. It seems to us that the GlobalGAP standard is one of the main tools that make the coordination between exporters and European buyers possible. The GlobalGAP standard serves as a strategy that reduces the above described *complexity of transactions* between the involved actors because it *codifies information*. The GlobalGAP standard quite distinctly defines parameters and functions as a common language for the industry as a whole. However, it can also be seen as a strategy that enables the European buyers to uphold arm's length relationships with their suppliers as the responsibility of compliance to the GlobalGAP standard is transferred up-stream.

The third determinant, *the capabilities* of the suppliers, is an interesting issue. The horticultural sector in Kenya is extremely diverse with regard to the sector's capabilities. The large Exporter 1, on the one hand, runs a business that would leave many European companies envious: The thirty year old company has top-class processing facilities both in Nairobi and Mombasa, it has low cost labour, which ensures competitiveness, and an organisational infrastructure that is flexible towards the needs of the European buyers. The retailers communicate regularly directly with Exporter 1 about the development of new products for the outlet shelves. Exporter 2, on the other hand, is still an

SME with small processing facilities and has had no big investments in processing machines so far. Exporter 2 is not able to accommodate all the wishes of the European buyers but is able to run a business focusing on a small selection of lower (relative to Exporter 1) value products.

In sum, we point to the conclusion that 1) the complexity of the transactions between exporters and European buyers is high, 2) that the ability of the industry to codify information is also high due to the GlobalGAP standard, and 3) that the capabilities of the exporters, though fluctuating a bit, are high as well. Based on a comparison of these coordination characteristics with the governance types presented in section 4.1 above, we suggest that the coordination between the actors can be characterised as modular, meaning that it is constituted by linkages that are based on codified information, here the GlobalGAP standard. This arm's length principle enables speed and flexibility to exist in the relationship where the suppliers have the competence to supply modules, which in our cases is reflected in the exporters' extremely high response rate to the day-to-day demands of European buyers. Supplying in modules means that products are satisfying quality and process standards without the constant control and monitoring of downstream actors. Due to these *modular* relationships, here facilitated by the GlobalGAP standard, the exporters' cost of switching to new partners might be reduced; a topic that we discuss in greater detail in section 5.1.1.

The above analysis brings forth an interesting result in terms of the type of governance characterising the coordination between the two Kenyan exporters and their European buyers. The modular governance type is in table 4 placed at the spectrum that in theory has low levels of power asymmetries in the relationship. We, however, suggest that high levels of power asymmetries exist between the exporters and their European buyers. In chapter 5, we therefore dig deeper into our results' incongruence with the governance framework provided by Gereffi et al. (2005) and discuss the market characteristics that we suggest explain this incongruence.

EXPORTER-SMALLHOLDER COORDINATION: GLOBALGAP AND PATERNALISM

The lack of *capabilities of the smallholders* is the main determinant for the characterisation of the coordination between the exporters and the smallholders. The exporters know the market mechanisms and understand the GlobalGAP requirements fully due to the fact that the exact same practices are used at the exporters' own farms. The integration of new suppliers (the smallholders) into the horticultural value chain increases the coordination challenges. The gap that exists in terms of quality requirements between the domestic market of Kenya and export markets raises the degree of monitoring and control that is required by the exporters. Consequently, both exporters in our

cases are compelled to engage into a close paternalistic coordination with the smallholders. The exporters cannot, regardless of how much they would want to, just pass on the responsibility for good agricultural practices to the next link in the chain – the smallholders:

> Managing Director of Exporter 1: *To be honest, that would be brilliant. You [the smallholders] do your own GlobalGAP, you control all your GlobalGAP schedules, you can supply me. I will pay you more for having done that.*
>
> Question: *You will pay them more for having done that?*
>
> Managing Director of Exporter 1: *Yes, absolutely right we would. If they could control themselves and do all the training and all the GlobalGAP and all they do is sell to us, we would pay them more* (Interview Exporter 1, 2010: l.686-690).

Also in the coordination between the exporters and the smallholders the GlobalGAP standard works as a strategy to reduce the *complexity of information* and knowledge as it becomes a control tool readily adaptable for the exporters in the quest of securing safe horticultural products. The option two certification (group certification) and the long list of control and check points converting every step of the production into calculative terms – *the codification* - is a powerful and easily communicated tool for changing the behaviour of the smallholders – provided it is backed by a team of skilful and omnipresent technical assistants. The practices of the smallholders are thus guided in all areas, which enable them to produce high quality produce.

The coordination between exporters and smallholders can thus be seen as being determined by 1) low capabilities of the smallholders, and 2) high complexity in the transactions. Whether the GlobalGAP standards' ability to codify the specific requirements in the transactions is low or high is debateable: The exporters on the one hand operationalise the GlobalGAP standard in order to structure the smallholders' production, which, in turn, enables them to produce high value and safe products. On the other hand, the exporters support and monitor the execution of the GlobalGAP requirements extremely closely, thus indicating that the codification is difficult due to the low capabilities of the smallholders. Based on these characteristics, we suggest that the coordination between the exporters and smallholders can (see Table 4 again) be characterised as either 'captive' or 'hierarchy'. The difference lies in whether the smallholders should be viewed as vertically integrated in the exporter company or not. These are governance forms where the coordination is characterised by the smallholders having great dependency on the much larger or more capable exporters. This we suggest reflects the high degree of power asymmetries existing between exporters and smallholders, a circumstance that can make it difficult for smallholders to have a say in the business terms between themselves and their related exporter.

4.3.2 THE RATIONALITY IN THE OVERALL GOVERNANCE OF THE GLOBAL HORTICULTURAL VALUE CHAIN

Having focussed on the coordination between the smallholders, the exporters and the European buyers, we are left wondering how governance of the overall value chain is possible as the chain's nodes are so significantly different in terms of capabilities, resources, culture and understanding of agricultural practices. In this section, we thus widen the scope of the above governance analysis and through the analytics of government approach show the ways in which government of the overall value chain is possible for the lead firms – mainly the retailers - through the employment of the GlobalGAP standard. By drawing on the analytics of government approach established in chapter three we show how two different modes of power, discipline and governmentality, are at play.

A DISCIPLINARY TECHNIQUE OF GOVERNING

The concept of discipline as employed by the analytics of government approach was introduced in chapter three and can be understood as the regulation of individual bodies in different institutional contexts such as the army, the school or the market. Seen from the smallholders' perspective the downstream actors in the horticultural value chain, be it European buyers or exporters, employ a normalising disciplinary technique of governing based on instant sanctions if tests or – worst case scenario - incidences among end-consumers reveal non-compliance with the strict requirements of the GlobalGAP standard. The sanctions are material (possible loss of income) and market based: 1) European buyers sanction exporters either by warning them or by simply ending the business relationship, and 2) the exporters, similarly, sanction the smallholders by immediately putting on hold or terminating the business relationship with that particular smallholder group that has produced and provided the products in question. The traceability aspects of GlobalGAP – the ability to trace the origin of a product up-stream in the value chain - enable these sanctions, which economically penalise the actors. The two case studies provide a number of examples of such sanctions both from retailers to exporters and from exporters to smallholders; e.g. in case of non-compliance due to exceeding maximum residue limits or bacteria infested products.

Another aspect of the disciplinary measures is that the GlobalGAP standard enables the downstream actors to discipline their upstream partners through what we see as internalised disciplinary supervision: The fact that the exporters and smallholders due to the omnipresent possibility of supervision from downstream actors must act as if they were supervised all the time. Three examples from the cases illustrate such internalised disciplinary supervision; 1) Exporter 1's use of internal audit teams, who overlook the day to day year-round implementation of and compliance with the

standards both on Exporter 1's own farms as well as on their external smallholders' farms, 2) both exporters' regular self-testing of products in order to be prepared for unannounced test by the European buyers and 3) the smallholder groups' self-supervision in the form of farmer committees[16] constantly checking whether their fellow smallholders adhere to the regulations.

A RISK MANAGEMENT RATIONALITY

The GlobalGAP standard embodies a risk management rationality and by implementing it in the value chain all actors become entangled into its specific version of good agricultural practices. The procedures that are developed by the GlobalGAP organisation – as described in chapter three - and comprised in its standard, are presented as objective facts or absolute truths. The facts and truths are qualified for the standard through scientific arguments and scientifically based discussions in the sector committees of GlobalGAP[17].

The lead firms, thus, use naturalisation of specific practices as a technique of government. By transmitting distinctive values and truths about what good agricultural practices are through the horticultural value chain, the European buyers are able to govern upstream to the level of the small Kenyan farmers many thousand kilometres away. Our case studies have demonstrated how thoughts are made practical by technical means such as training in how to keep records, how to use chemicals, how to do crop protection management, how to integrate high level hygiene, how to keep products after harvest and how to grade products according to quality requirements. The GlobalGAP standard's regulatory targets – the smallholders - as individuals and collectives become immersed in the rationality embedded in the GlobalGAP standard and internalise the rationality. The quote below from the managing director of Exporter 2 illustrates how the procedures established in the GlobalGAP become internalised as objective facts in the chain:

> *…they are just asking safe use of pesticides, they are asking hygiene, they are asking just normal things that a human being should follow. And to me these days it's not a big thing - it's a normal thing. It's like brushing my teeth in the morning… It's a way of farming that we need to do right… So I would see it now not as a monster as I looked at it initially when it was introduced* (Interview Exporter 2, 2010: l.167-172).

When the smallholders become immersed into the GlobalGAP rationality they become subjects capable of managing their own risks and are thus transformed into what Dean elsewhere has termed

[16] The farm committees consist of members of the group management, group members and a technical assistant representing the exporter. The structure of the groups will be further elaborated on in section 5.2.2.1.

[17] Gibbon and Ponte add to this point by stating that a standard is directed by "…particular values which define what quality is and the legitimacy of procedures for measuring quality performance…" (A. Tallontire, 2007, p.783)

"*…'calculative individuals' within 'calculative spaces', subject to particular 'calculative regimes'…*" (Dean, 1998, p.36).

The GlobalGAP standard, thus, enables the 'drivers' of the value chain to govern at a distance as the standard becomes a tool to practice the 'conduct of conduct' aimed at shaping and effecting the self-conduct of the exporters and smallholders. Government is thereby practiced through the regulated freedoms of individuals and collectives. The GlobalGAP standard is based on the concepts of risk minimisation and analysis; procedures that construct particular norms of behaviour, which are used to encourage individuals to engage voluntarily in self-regulation in response to these norms.

4. 4 PART CONCLUSION

The analysis has unfolded the ways in which the Kenyan exporters and smallholders perceive the influence of the GlobalGAP standard on the coordination and governance in the horticultural value chain. We have shown how the coordination in our case studies between the smallholders and the exporters and between the exporters and the European buyers differs substantially. The coordination between the two Kenyan exporters and the European buyers can be characterised as modular, meaning that it is constituted by linkages that are based on codified information, here the GlobalGAP standard. The cooperation is characterised by a high level of complexity due to the comprehensive quality and process requirements to the products. Yet, determinants such as the fact that standards like the GlobalGAP enable the industry to codify this rather complex information and the fact that the exporters have relatively high levels of capabilities, means that the coordination can remain on an arm's length level. Formal commitments, such as contracts, would benefit the exporters, but not the European buyers, who currently have very flexible sourcing practices.

The coordination between the smallholders and the exporters involves quite opposing features compared to the coordination between the exporters and the European buyers. The smallholders' low capabilities are not surprisingly a significant determinant for the coordination. The low capabilities entail that the GlobalGAP standard's ability to codify information is not enough in itself in order to ensuring the quality of the products as required in Europe. Quite on the contrary, the exporters have to assume a paternalistic role, which basically means that the exporting companies penetrate the operational aspects of the smallholders' practices. Not only do the exporters help the smallholders in structuring the production, they also support and constantly monitor the execution of the good agricultural practices. The GlobalGAP standard, however, becomes an important tool in this coordination process between the exporters and the smallholders. The standard is the constant

point of reference in the cooperation and its requirements becomes the objective truths that render the cooperation possible. At no point have we experienced the sanctity of the standard questioned by neither the smallholders nor the exporters, which we see as evidence that the European buyers have been successful in implementing the risk management rationality of the GlobalGAP standard into the global horticultural value chain.

Our analysis has affirmed the point of the current body of literature that the governance of the global horticultural value chain is significantly buyer-driven. We have shown how the GlobalGAP standard enables the European buyers to have global-scale production networks, while remaining vertically disintegrated. Two modes of power are at play to secure this: discipline and governmentality. The effects of direct sanctions as well as what we call internalised disciplinary supervision have made exporters and smallholders self-supervising. They monitor themselves as individuals and collectives in their processes of producing safe, horticultural products for the European market. Through the GlobalGAP standard the European buyers thus perform the conduct of conduct: The GlobalGAP standard makes thought practical and the objects of governance – the exporters and smallholders – both objects and subjects of government. The exporters and smallholders comply with the requirements of the GlobalGAP standard in order to obtain benefits for themselves: Profit through sales. This makes governing across borders, cultures and norms possible with relatively few resources for the European buyers.

5. CONSEQUENCES OF THE GLOBALGAP STANDARD

This dissertation has so far analysed how the GlobalGAP standard can be understood as a regulation mechanism and how the GlobalGAP standard influences the governance in the global horticultural value chain. In this chapter we discuss the consequences of the incorporation of the GlobalGAP standard as experienced by the exporters and smallholders of our case studies in order to answer sub-question three: **What are the consequences of the GlobalGAP standard for the Kenyan exporters and smallholders?** The chapter thus contributes to the debate of the double-edged sword of globalisation. On one hand, access to the European markets through the incorporation of the GlobalGAP standard improves the actors' prospects of economic advancement, but on the other hand, due to the nature of the global horticultural value chain causes the up-stream actors to be subordinate to the European buyers.

In the first part of the chapter (section 5.1) we discuss whether the ability to export GlobalGAP certified products influences the possibility of the Kenyan horticultural exporters to switch to alternative European buyers and, thereby, improve the exporters' bargaining powers vis-à-vis European buyers. Closely related to this issue is the placement of risk in the value chain, which is an issue that we also discuss in this section as our case studies point to the conclusion that the exporters are the actual risk takers in the implementation of the GlobalGAP standard. In the second part (section 5.2) we take a closer look at two consequences of the GlobalGAP standard for the smallholders: (1) The change in the smallholders' farming practices and mind-sets, and (2) the changes that are caused by the implementation of the GlobalGAP standard in terms of a re-organisation of the smallholders' local communities.

5.1 LARGE AND SMALL HORTICULTURAL EXPORTERS IN KENYA

Chapter four clearly showed the central role that the Kenyan exporters in our case studies play as facilitators to the trade between the Kenyan smallholders and the European market. The exporters in our case studies are vital both in the implementation of and in maintaining compliance with the GlobalGAP standard at the smallholder level. Thus, the exporters have come to accept a pronounced responsibility for securing safe food in the global horticultural value chain. In this section, we discuss whether the exporters' responsibility-taking pays in terms of gaining a better position in the value chain. By position we, inspired by Dolan et. al (1999), mean the general conditions the exporting companies face in their relationship to downstream nodes in the global horticultural value chain when performing their particular product value-adding activities. In this context, we discuss whether

the exporters' ability to export GlobalGAP certified produce leads to lower costs of switching buyers and, thus, improved bargaining power for the exporters. Secondly, we discuss the risk-taking that the exporters are subject to due to the requirements of the GlobalGAP standard. A particular means that the exporters employ in order to minimise their risk is emphasised; namely, the fact that the exporters certify the smallholders in the exporters' own name. Throughout the section we emphasise the similarities and differences between the large and the small exporter.

5.1.1 LARGE AND SMALL EXPORTERS' POSITIONING IN THE GLOBAL HORTICULTURAL VALUE CHAIN

In chapter four we showed that the coordination between the European buyers and the Kenyan exporters can be characterised as modular. We also pointed to the fact that the GlobalGAP standard is instrumental in securing this coordination as it codifies complex information. The GlobalGAP standard is a seal of approval concerning quality of the produce. Humphrey (2006) states that *"When standards for the hand-off of codified specifications are widely known, the value chain gains many of the advantages that have been identified in the realm of modular product design…"* (Humphrey, 2006, p.85). Hence, two interesting questions to ask are (1) whether the two Kenyan exporters experience that their ability to supply GlobalGAP certified products makes them able to switch to other buyers more easily, and (2) whether this improves the exporters' negotiation position with regards to buyers, both current and future.

The small exporter confirms that its ability to supply GlobalGAP certified produce has made it easier to switch buyers (Interview Exporter 2, 2010). Prior to the implementation of the GlobalGAP standard at the exporter's own farm and at its related smallholders' farms, Exporter 2 needed to prove to every single European buyer that its produce lived up to extensive quality requirements. These proofs were difficult to provide in many cases and impossible in most due to (1) the low level of transparency in the smallholders' production processes and (2) the absence of a common language and understanding of what quality requirements constituted. With the implementation of the GlobalGAP standard this changed (Interview Exporter 2, 2010). With the GlobalGAP standard, a shared language on quality was introduced between all parties and the complexity of transactions was reduced, as concluded in chapter 4. The GlobalGAP certificate thus works as a quality assurance for the European buyers. It ensures that the transaction can proceed on market based principles such as price, volume and timing. The pertinent food safety aspects covered by the GlobalGAP certificate have, thus, made switching to new buyers more straightforward for the small exporter:

> *…when you have got the certification you have got more inquiries. A lot more people want to buy from you than when you don't… it's easy now to switch* (Interview Exporter 2, 2010: l.195-96 and 287-88).

This experience is, however, not shared by the large exporter (Exporter 1). For Exporter 1 the GlobalGAP certificate is merely a minimum requirement that they under all circumstances have to prove adherence to, according to the general manager from Exporter 1. He refuses that the implementation of the GlobalGAP standard has resulted in lower switching costs for his company (Interview Exporter 1, 2010):

> *If you are supplying a British supermarket you have to be GlobalGAP. If you don't have GlobalGAP then they don't want to trade with you. It's like a minimum standard that the British supermarkets will accept* (Interview Exporter 1, 2010: l.574-75).

In the following we show why the ability to supply GlobalGAP certified products does not improve the bargaining power of the small and large exporter, respectively.

5.1.1.1 LOWER SWITCHING COSTS DOES NOT IMPROVE THE SMALL EXPORTER'S BARGAINING POWER

The decreased switching costs that Exporter 2 experiences might be expected to positively affect Exporter 2's ability to negotiate contractual terms with European buyers. This is, however, not the case. As was mentioned in the previous chapter (section 4.2), any contract that Exporter 2 has signed with buyers has led to an exploitation by the European buyers on price and quantity (Interview Exporter 2, 2010). This reflects the fact that the small Exporter 2 does not have sufficient bargaining power to negotiate with European buyers. Consequently, the exporter prefers to do its business without contracts, instead of being exploited through a contract. Hence, we can conclude that although the GlobalGAP certificate results in lower switching costs for the small Exporter 2 it has (so far) not resulted in better negotiation terms.

The reasons for this are on a general level that the global horticultural value chain is buyer-driven and on a contextual level (1) that the number of exporting competitors is increasing, while (2) the concentration at the buyer level only intensifies. *Firstly*, the number of countries engaged in horticultural export has greatly risen over the last ten years according to Humphrey (2006). In the 1980s and 1990s the Kenyan horticultural export sector expanded in terms of volume and value with no significant competitors from other African countries (Humphrey, 2006, p.36). Yet, in the period from 1999 to 2006 Sub-Saharan horticultural export came under increasing pressure from the North African countries, most importantly Egypt (ibid). An obvious disadvantage of the Sub-Saharan countries compared to the North African countries is their distance to the European market. About 60 percent of the costs of horticultural products stems from airfreight, hence a smaller distance

covered by sea can create a heightened competitive advantage for North African countries (Interview Exporter 1, 2010). The increase in number of exporters creates fierce price competition and makes it hard for Kenyan exporters to negotiate better terms of trade as the European buyers can easily pressurise them ((Interview Exporter 2, 2010);(Interview ABD Officer, 2010)).

Secondly, concentration at the European buyer level is increasing as was argued in section 4.1 (see Figure 13). Concentration at the European buyer level has not only created changes in the size of retailers and other buyers, but has also changed value chain relationships. The large retailers have, according to Dolan et al. (1999) gone from selling a finished product controlled by wholesalers to also taking part in product development, branding, supplier selection and distribution. As argued in chapter four, concentration at one level is an important aspect because concentration at one point in the value chain often leads to concentration at other points in the value chain. Concentration entails that oligopolies and market asymmetries are enforced. The fact, that the retailers have become increasingly powerful while the competition between the exporters has become increasingly fierce, means that Exporter 2 has not obtained a better bargaining position in spite of the fact that it is able to supply GlobalGAP certified products. The vulnerability of the exporter has actually increased as the price of entry into the chain has risen due to obligatory investments in equipment and systems as well as compliance to standards such as the GlobalGAP.

5.1.1.2 THE LARGE EXPORTER IS RESTRICTED BY ITS OWN INVESTMENTS

The large exporter, Exporter 1, has not experienced a decrease in switching costs, which could have improved its positioning in the value chain. The reason, as we see it, is that Exporter 1 has incorporated specialisation strategies in order to keep its position in the global horticultural value chain. Exporter 1 has over the years increased its value-addition in its processing of horticultural products not just in order to increase revenues but also in order to keep its current position and stay ahead of competitors (Interview Exporter 1, 2010). According to Kaplinsky and Morris (2001) a product value-addition can be defined as a product-upgrading and is seen as an important step in the chain up-grading trajectory. Exporter 1 has upgraded its products by investing in technology at its packaging sites, which makes Exporter 1 able to process and export prepared and pre-packed vegetable combinations and label the products according to the wishes of its primarily UK buyers. Pre-packed vegetables are not in high demand elsewhere in Europe according to the general manager of Exporter 1 (Interview Exporter 1, 2010).

A disadvantage of the strategy of up-grading products that we point to is that asset specific investments actually lock the exporter to the UK market as that market is the only one that has high demands for pre-packed prepared vegetables. According to the general manager of Exporter 1 changing the company's current strategy of aiming at the UK market to other buyers in Europe would entail a step down on the up-grading ladder:

> *...the prepared part is a very different operation, much higher level of complexity and protocols and technicalities....if we have an option and look at secondary markets [outside UK], it would be like looking at alternatives, like taking a step backwards* (Interview Exporter 1, 2010: l.578-80).

Hence, Exporter 1 basically operates at the mercy of the large UK retail chains[18]. As far as our analysis goes, this decreases Exporter 1's ability to improve its position vis-à-vis European buyers, as it disables Exporter 1 from switching buyers. This reality of large exporters such as Exporter 1 is another example of the before mentioned concentration at the retailer and buyer level: The buyers' increased demands for value-addition and product innovation require larger investments from exporters and thereby lead to increased concentration at the exporter level because larger investments requires larger companies (Dolan et al., 1999).

In sum, GlobalGAP certified products do not lead to an improved positioning for exporters vis-a-vis the European buyers. Though the small Exporter 2 experiences lower switching costs due to the GlobalGAP standard implementation, the market structure of the horticultural value chain in terms of competitors at the supplier level and concentration at buyer level precludes improved positioning in terms of negotiation power. In contrast, the large Exporter 1 did not experience any lower switching costs, and only regarded the implementation of the GlobalGAP as a minimum requirement that all their buyers have required now for a couple of years. Furthermore, Exporter 1 focuses on value-addition of its products as a way of keeping its position in the value chain: A strategy that locks them into the UK market and thus does not improve their positioning.

5.1.2 HIGH RISK-TAKING A NECESSITY FOR EXPORTER 1 AND 2

In this section we discuss the risk aspects of the implementation of the GlobalGAP standard. Prior to our empirical research we assumed that it was the smallholders who carried the majority of the risks related to the implementation of the GlobalGAP standard. This assumption was, primarily, based on the fact that the GlobalGAP standard has the smallholders as its regulatory targets and, additionally, the fact that previous research (Humphrey, 2008) has focused on the cost consequences of

[18] This is a tendency that is also noticed by (Dolan & J. Humphrey, 2004) who argue that large exporters, who have invested in asset specific equipment, because of these investments become tied to the UK market (Dolan & J. Humphrey, 2004).

implementing the GlobalGAP for smallholders and the standard's unfortunate ability to greatly reduce smallholders' participation in the horticultural export sector. However, contrary to this assumption, we have in our two case studies found that it is the exporters and not the smallholders that are the actual risk-takers in regards to the implementation of the GlobalGAP standard. As shown in the previous chapter the responsibility to implement the GlobalGAP standard is pushed upstream in the global value chain by European buyers to the two Kenyan exporters where the responsibility basically remains due to the low capabilities of the smallholders. A reason for this distribution of the food safety responsibility can as we see it be argued to be a direct consequence of the power asymmetries among the nodes in the global horticultural value chain. This is supported by Dolan et al. (1999) who claim that the increased dominance of a few supermarkets in the retailing industry makes the more fragmented supplying sector (exporters and producers) vulnerable to downstream pressure. In the following we focus on the distribution of costs associated with the implementation of the GlobalGAP standard and how the exporters are subjects to unfavourable supply and demand conditions. Both issues can be seen as examples of the ways in which power asymmetries greatly benefit the European buyers at the expense of Kenyan Exporters.

5.1.2.1 THE DISTRIBUTION OF COSTS ASSOCIATED WITH THE IMPLEMENTATION AND MAINTENANCE OF THE GLOBALGAP STANDARD

The Kenyan exporters in our case studies are very much aware of the fact that smallholders can neither afford to pay the costs required to implement the GlobalGAP standard nor the costs of the subsequent monitoring of compliance to the standard. The many diverse kinds of costs (training, new buildings, monitoring, audits etc.) of implementing the GlobalGAP standard are in our two case studies mainly financed in a cost sharing model between the respective exporters and a donor scheme. According to Humphrey (2008), exporters in Kenya generally finance the actual implementation of the GlobalGAP standard in cooperation with a donor. In both of our cases the smallholders contributed to the financing through either microfinance loan, manual labour or local materials such as soil or sand (Interview Exporter 1 and 2, 2010). In the case of Exporter 2 the smallholders themselves paid for the installation of toilets on their plots as well as 30% of the costs of the grading shed (Interview Smallholder Group 2, 2010).

The cost of implementing the GlobalGAP standard is one thing, the recurring costs of managing the GlobalGAP standard in the cooperation between the exporters and the smallholders are, however, another. The recurrent costs of ensuring compliance to the standard are left mainly to the exporters. According to a study carried out by Humphrey (2006), 80% of the recurring costs of managing the

GlobalGAP standard are borne solely by the exporters. As described in the previous chapter (section 4.2), the exporters take responsibility for the entire production process, the transportation of produce from farm to packing centre, the grading and cooling of the produce, the training of smallholders etc. Furthermore, the exporters provide the necessary technical assistance to ensure that standards are met (Interview Exporter 1, 2010; Interview Exporter 2, 2010; Field Notes Smallholder Group 1, 2010; Field Notes Smallholder Group 2, 2010).

Hence, we point to the fact that managing the GlobalGAP standard at smallholder level is a costly affair for the exporters, which entails a significant risk to their business. On top of this, the exporters do not have a way of preventing the smallholders from selling their produce to another and higher bidding broker, should the smallholders for some reason chose to do so. Unfortunately, the existence of brokers is common in the Kenyan horticultural sector, as mentioned in section 4.2. The brokers buy the produce from the smallholders for a small extra premium and sell it for a much higher price at the Kenyan wholesale market. The brokers thus constitute a direct threat to the investments that the exporters have put into the cooperation with the smallholders to facilitate their GlobalGAP certification (Interview Exporter 1 and 2, 2010). Similarly, offers from other exporters constitute another threat to exporters' GlobalGAP investments (Interview Exporter 1, 2010).

Against this background one way in which both of the exporters in our cases seek to protect their investments and minimise their risks related to the incorporation of the GlobalGAP standard in the global horticultural value chain is to certify the smallholder group in the exporters' names. This practically means that the smallholders become tied to the exporters and implies that the smallholders cannot use the certificate to negotiate better terms of trade with alternative exporters, should they wish to do so. The certification, if made in the smallholder group's name would provide the smallholders with proof that their produce can be sold at the European marked. If the smallholders are certified in the name of the exporter it means that the smallholder group has to sell to that exporter. This phenomenon means that the relationship between the smallholder groups and the exporters can be described as something reminiscent of adscription in the times of feudalism. This is indeed problematic.

5.1.2.2 SUPPLY AND DEMAND CONDITIONS FOR KENYAN EXPORTERS

In orthodox economics a perfect market is defined by *perfect competition*. Perfect competition is defined by the following: perfect market information, no player(s) with the unique market power (monopoly or oligopoly), no barriers to entry or exit and equal access to production technology

(Debreu, 1959).The *perfect market* is assumed to lead to relatively fair conditions, meaning a low amount of risks and low levels of power asymmetries. According to this approach, markets with more suppliers than buyers (e.g. when a concentration at buyer-level has occurred) can create imperfect markets and hence, asymmetries in power relationships and distribution of costs and risk-taking. In the following we illustrate through two scenarios of market non-equilibrium that it is the exporters who face the highest level of risk in the global horticultural value chain and not the European buyers nor the Kenyan smallholders. The first scenario is characterised by a lack of demand but a high supply of produce that comply with the GlobalGAP standard. The second scenario is the other way around, namely a high demand but inability to supply.

Scenario 1: No Demand – High Supply

A scenario with no demand for but high supply of GlobalGAP certified produce emerges when buyers do not place any orders for the certified produce of which the exporters are in possession. Reasons for a lack of orders can for instance be uncompetitive prices or low season (summer in Europe). The Exporters wind up in this situation, firstly, because the exporters generally do not have contracts with the European buyers. This means that the exporters in many cases plan on a week-to-week basis, as discussed in section 4.2. Secondly, the exporters' tight and contractual relationships with the smallholders, limits the exporters' possibility of adapting to market demands. These contractual relationships entail for both Exporter 1 and Exporter 2 that they are obliged to buy all produce grown by their related smallholder groups (Interview Exporter 1, 2010; Interview Exporter 2, 2010; (Appendices 8.3.2 and 8.3.3). Consequently, one might ask why the exporters agree to these contracts. For both exporters the answer to this question is twofold: 1) The exporters have a wish to keep a *human face* with smallholders and, thereby, obtain and maintain their smallholders' confidence, and 2) the exporters know that for smallholders' production to be a sustainable business, the exporters themselves have to offset the losses that arise in low season:

> *At times we have collected produce and dumped it and still paid the farmer. Because even though I am dumping now – tomorrow I will need that farmer. So if I don't pay they will go away [find alternative ways of creating income]. So we have to also look at the public relation and the relationship we have with the farmers to make sure it has a human face* (Interview Exporter 2, 2010: l. 139-42).

The high supply/low demand situation thus leaves the exporters with an excess of produce. In these cases the exporters' only possibility of getting rid of the produce is to dump it either as forage to livestock, at a compost site or to try to sell it at the local market for a lower price than on the export market, providing the exporter with no return on their GlobalGAP investment (Interview Exporter 2, 2010; Interview Exporter 1, 2010).

Scenario 2: High Demand – No Supply

In a scenario with high demand, but low supply of GlobalGAP certified produce, the exporters are also left with the risk. With orders coming in on a day-to-day or weekly basis from the European buyers, exporters continuously need to demonstrate their value to European buyers by being able to deliver just-in-time and thereby maintain the European buyers' confidence. According to the general manager of Exporter 2, if the company fails to meet the demand of the exporter, it risks losing credibility and market shares too many competing exporters (Interview Exporter 2, 2010). This argument is supported by Dolan et al. who claims that even large exporters are afraid of being de-listed by the retailers (Dolan et al. 2006). The level of risks which the exporters face in this situation depends on their relationship to the buyer.

The large exporter, Exporter 1 receives a quarterly programme from its marketing agent in the UK that transmits information about the buyers' wants by for instance forecasting the sales of French beans. This means that although the orders from the buyers are obtained on a weekly basis the risk of undersupplying is kept relatively low (Interview Exporter 1, 2010). In contrast Exporter 2 with no marketing agent and therefore a lower level of planning, experiences a higher level of risk in situations with high demand and no/limited supply. Our case studies show that the exporters use strategies to avoid a situation of high demand and low supply. One such strategy is to thoroughly coordinate the production at the smallholder level by adjusting the supply of seeds according to the exporters' forecasts. The situation of high demand but low supply is thus sought avoided through careful planning and a tight coordination between exporter and smallholders; a coordination we in chapter four characterised as 'captive' or 'hierarchical' coordination.

To sum up we have shown that the implementation of the GlobalGAP standard leaves the exporters with the majority of the risks. Most of the costs associated with the implementation and managing of the GlobalGAP are imposed on the exporters. In spite of the increased level of risks and costs the exporters face as a consequence of the implementation of the GlobalGAP standard, the exporters have not gained an improved position in the value chain due to power asymmetries. The two scenarios of supply and demand illustrate how exporters often end up in a deadlock between powerful European buyers and smallholders with low capabilities. We conclude that the level of coordination and terms of trade existing between European buyers and exporters are highly decisive factors for the level of risk imposed on the exporters.

5.2 KENYAN SMALLHOLDERS ADAPTING TO THE GLOBALGAP REQUIREMENTS

Chapter four has already mentioned the significant impacts of the GlobalGAP standard on the smallholders of the case studies. In this section we go into detail with two of these consequences. Firstly, we show how the smallholders due to the implementation of the GlobalGAP standard experience a change of practices and mindset. This point was briefly mentioned in chapter four, yet here we expand the discussion and show how this change of rationality among others leads to improved practices like greater farming efficiency and more environmentally sustainable farming methods, as well as a change of mind-set. These changes both benefit the smallholders and the end-consumers on the one hand but on the other hand they cement the buyer-driven dominance of the global horticultural value chain. Secondly, we discuss how adherence to the GlobalGAP standard leads to a re-organisation of the local communities in which the smallholders live: A necessary re-organisation that poses both opportunities and challenges to the individual smallholder.

5.2.1 CHANGES IN THE SMALLHOLDERS' RATIONALITY

Our case study research clearly shows that the implementation of the GlobalGAP standard entails that the smallholders start to think of farming as a business and to change their perception of what good agricultural practices are.

5.2.1.1 CHANGING SMALLHOLDER'S PERCEPTION OF WHAT GOOD AGRICULTURAL PRACTICES ARE

We have in both of our case studies seen how the smallholders' agricultural practices are up-graded due to the requirement of the GlobalGAP standard. The phenomenon of upgrading in the value chains has received much attention in the global value chain literature, due to the ingrained focus on why and how global engagement can enable upstream actors to improve their prospects of business and thereby improve their general livelihoods (Kaplinsky & Morris, 2001). Kaplinsky and Morris (2001) focus on four different trajectories for upgrading in a value chain perspective: 1) Process-upgrading, 2) product upgrading 3) functional upgrading and 4) chain upgrading (Kaplinsky & Morris, 2001). Based on our case studies we find that the smallholders respectively affiliated to Exporter 1 and 2 have up-graded their products and processes. This is discussed below. *Product up-grading* concerns the introduction of new products or the improvement of old products. *Process up-grading* means increasing the efficiency of internal processes both regarding individual links in the value chain and between the links in the chain (ibid)[19].

[19] *Functional upgrading* means increased value added due to a change in the mix of activities in a company and *Chain upgrading* means moving to a new value chain (Kaplinsky & Morris, 2001). None of these are relevant to discuss in relation to the smallholders in our cases.

Product-upgrading

The smallholders have due to their cooperation with their respective exporters been introduced to new products like French beans, sugar snaps and baby corn. These products are not of local origin and are not consumed locally (Field Notes Smallholder Group 2, 2010). In the industry they are named 'cash crops' because of their high value on the export market. The product up-grading cannot solely be seen as a direct consequence of the GlobalGAP standard implementation. Rather it should be seen as part of the smallholders' product up-grading to the demands of the export market. The new products are, however, demanding in terms of irrigation and a range of other agricultural practices if an acceptable end product quality is to be reached. This factor ties the growing of these products to the implementation of the GlobalGAP standard. The process up-grading, which is discussed below, has made it possible for smallholders to grow these new sorts of products and the smallholders have now experienced the financial benefits of growing export vegetables in contrast to local vegetables (Field Notes Smallholder Group 1 and 2, 2010). This being said, we find that though new products have been introduced, the smallholders' choice of crops is still depending on tradition. Traditional staple food such as maize remains a part of the smallholders planting variety, even though returns per plot is more than ten times lower than that of for instance French beans (Field Notes Smallholder Group 1 and 2, 2010). Reasons for this behaviour could be: 1) That a change of rationality concerning prioritising farming as a business has not yet been fully incorporated in the smallholders' rationality, a point that is discuss in the following section, and 2) a remaining lack of confidence in the reliability of sales to the exporter (the smallholders have experienced being exploited by other exporters (see section 4.2)) or fear of economic downturn. The continued production of maize, despite its low levels of profit, can therefore be understood as a precautionary measure of the smallholders to make sure that they always have food to put on the table.

Process-upgrading

In contrast to the local market requirements, the GlobalGAP standard has a set of very specific terms of requirements to the horticultural production. The GlobalGAP requirements do not leave much room for subjective assessments of which practices are important and which are not: *"GlobalGAP requires farmers to become professional"* an agricultural consultant with vast experience in implementing the GlobalGAP standard concludes (Notes Agricultural Consultant 2010, 14). Producing horticultural products to the local market entails much milder quality requirements and smallholders are in their agricultural practices simply not focused on health issues related to the use of pesticides, hygiene or crop irrigation, protection and rotation etc. These are practices that are important both in terms of the smallholders' own and the end consumer's safety, but also in terms of quality and

volume of yields. Upholding a livelihood based on production of horticultural products to the local market or self-consumption in Kenya is therefore operationally completely different from producing for export markets. It has therefore been very complicated for the smallholders to start producing horticulture for export (Interview Exporter 1 and 2, 2010). Predominantly because it requires a change in mind-set:

> *That is the challenge... it was difficult to convince the farmers to start doing this job – to make them understand why it is important – things like irrigation, the major issues* (Field Notes Regional Manager Exporter 1, 2010: l.10-13, l.20-21).

Thorough training in which all the GlobalGAP requirements are translated into the smallholders' everyday language is a prerogative for successful implementation (Interview Agricultural Consultant, 2010). If not done, the smallholders will struggle even harder to understand the requirements because of the standard's technical language and abstract concepts that they are not familiar with and/or to which they do not understand the underlying principles. One example of this is the requirement that seeds need to be certified by a governmental agency in order to make sure that they are not genetically modified organisms (GMOs). Because if the GMO seeds are cheaper and can produce the same or more yields but requires less working effort, why then buy the expensive certified seeds? (Interview Exporter 1, 2010). The answer is extremely abstract and requires advanced communicational skills from the agricultural consultant teaching the smallholders. Otherwise the *"farmers will comply [only] by book and not by principle* (Interview Agricultural Consultant, 2010: 85). This applies for many of the concepts and requirements in the GlobalGAP standard. Illustration 1 is an example of one way in which some of the hygiene requirements of the GlobalGAP standard are translated to the smallholders. The translation issue is very much a question about culture and education. Most of the smallholders have no or limited formal education and are not familiar with issues such as the principles behind resistance towards GMOs, the importance of hygiene, health and safety issues[20]. Therefore, the agricultural consultant concludes that *"the GlobalGAP training is very much about*

Illustration 1: GlobalGAP Hygiene guidelines (GlobalGAP (e), 2011)

[20] e.g. spending money on a first-aid-kit seems like a waste of money

changing mind-sets" (Interview Agricultural Consultant, 2010: l. 102). According to the agricultural consultant this change of mind-sets can result in a permanent change for the smallholders. In the beginning the smallholders oppose to the training, but gradually they internalise the rationality of the GlobalGAP standard: *"In lesson 1 and 2 they are very resistant, in training lesson 3 and 4 they become active and in lesson 7 they will teach you"* (Interview Agricultural Consultant, 2010: l. 175-177).

According to the smallholders themselves a great number of practices were completely unknown to them prior to the GlobalGAP standard implementation. This includes how to use fertilizers and pesticides, how to store chemicals properly (see illustration below), how to optimally use water, how to optimise production to increase output per planted acre by rotating crops, how to focus on the quality of produce and what the importance of hygiene is etc. (Field Notes Smallholder Groups 1 and 2, 2010). We see the incorporation of these practices not only as improving the safety and sustainability of the smallholders' production, but also as improving the efficiency of the smallholders' practices.

Illustration 2: GlobalGAP storage guidelines (GlobalGAP (e), 2011)

As concluded in chapter four, supervision and monitoring are techniques of governing exercised in the global horticultural value chain. In addition to these techniques Exporter 1 has taken further steps to ensure that its related smallholders understand the importance of quality and safety of produce. The exporter invites the majority of the smallholders to visit the company's own processing facility in Mombasa:

> *The farmers are taken to [Exporter 1's] pack house for them to learn the actual grading, and the level of hygiene; the quality that is expected. In this way they are*

> *made to understand the importance of this [GlobalGAP required practices]* (Interview ABD Officer, 2010: l. 183-185).

According to the managing director of Exporter 2, the process-upgrading that has taken place results in more knowledgeable and well educated smallholders:

> *…they know what pesticide they have to spray and all that, so they are producing safe food. And the fact that they are doing it well means that I am going to sell safe products. And when I sell safe products my markets will continue to grow. But if the farmer is growing in the dark way, the chances are that I will sell products that aren't safe, and when I sell products that aren't safe my markets will go* (Interview Exporter 2, 2010: l. 438-443).

The GlobalGAP rationality, that the smallholders to a wide extent adapt, seems to result in a domino effect in the communities of the GlobalGAP certified smallholders. The agricultural consultant explains that when the neighbours of the GlobalGAP certified smallholders see the results of the new practice, they become interested:

> *In the first years of the GlobalGAP, demand for implementation stemmed from exporters, but since then there have been a domino effect where farmers get inspired by each other and also want to be certified. They have seen that it is an option and that it is feasible* (Interview Agricultural Consultant, 2010: l. 44-46).

In sum, it becomes clear that the process-upgrading achieved through the GlobalGAP training and processing procedures cause a comprehensive change of mindsets - not only for the GlobalGAP certified smallholders, but for the entire communities in which the farming takes place. This point underlines the massive impact the GlobalGAP potentially has on the development of the global horticultural industry; an impact that draws on an advanced mechanism of power that entails that the smallholders constitute the subject as well as the object of the governance of regulating mechanisms of the GlobalGAP as mentioned in chapter 4.

5.2.1.2 FARMING AS A BUSINESS

The above discussion of the change in smallholders' farming rationality also indicates a more focused approach to farming, which enables the smallholders to approach farming as an actual business. Among the smallholders this is called "Kilimo Biashara" in Kiswahili – which translates to 'farming as a business' (Field Notes Smallholder Group 2, 2010: l. 30-31). This proverb introduced to us by the smallholder group related to Exporter 2 underlines the fact that farming traditionally is more a-way-of-life than an actual 'business' in Kenya. The same phenomenon was visible in the smallholder group related to Exporter 1 who also described the implementation of the GlobalGAP as enabling them to approach farming as a business (Field Notes Smallholder Group 1, 2010). The smallholders needed

jobs and income and viewed compliance to the GlobalGAP standard as an opportunity to create a livelihood for themselves (Field Notes Smallholder Group 1, 2010).

The implementation of and compliance with the GlobalGAP standard's rather comprehensive requirements of record keeping provide the smallholders with an overview of all the inputs and outputs of the production – the activities of farming – which they would otherwise not have. Turning the smallholders into 'calculative individuals, living in calculative spaces' as argued in section 4.3 has, besides ensuring safe products, the effect that it enables the smallholders to make informed business related choices. The table below, which is used in the training of the smallholders, shows that the record keeping facilitates multiple aims.

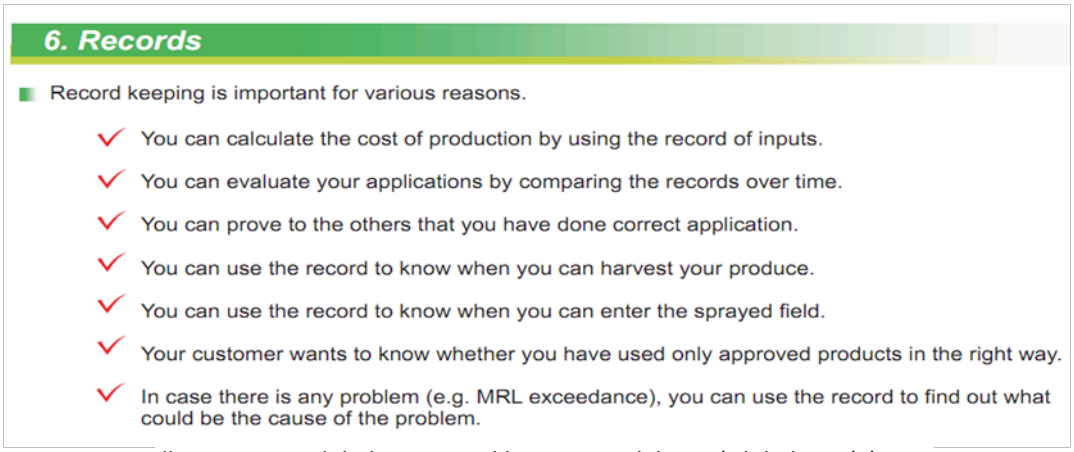

Illustration 3: GlobalGAP record keeping guidelines. (GlobalGAP (e), 2011)

The smallholders in most cases have never kept records of the costs of production and compared costs with revenues. Consequently, the smallholders were rarely aware of whether they were making profit or not (Interview ABD Officer, 2010). An example of this is the deeply ingrained principle in the smallholders' minds that maize is a means of survival, as described above. The record keeping, however, makes the smallholders very aware of the discrepancy between traditions and good business. Besides a more stable income and higher yields, the smallholders in our cases also revealed a pride with producing safe products (Field Notes Smallholder Group 1 and 2, 2010) and a desire to further improve and expand horticultural production. We assess these perceptions to a large extent as consequences of the implementation of the GlobalGAP standard and the tighter relationship to the exporter.

In sum, the above section on changes in smallholders' rationality and mind-set illustrates the fundamental changes the GlobalGAP standard entails for the smallholders. We have shown that the GlobalGAP standard implementation leads to product as well a process up-grading at smallholder

level. The process up-grading radically changes smallholders farming practices and farming becomes a business. These changes, we conclude, on the positive side are changes for the better in that they entail improved environmental friendly production, safer production methods and higher quality and volumes and consequently improved livelihoods for the fortuitous smallholders, who are subjects to investments by an exporter. However, applying an alternative and critical view, the changes can also be argued to be an expression of an unfortunate embeddedness into a western and neoliberal agenda that the globalisation introduces to the people in developing countries. The smallholders are in a way transformed into subordinate actors producing to the benefits of the European buyers upon which they suddenly find themselves dependent. The success of the governance of the global horticultural value chain, as illustrated it in our two case studies, probably finds its peak in the fact that the smallholders express their pride in producing safe products as defined by a European organisation.

5.2.2 RE-ORGANISATION

This section discusses how the implementation of the GlobalGAP standard impacts the organisation of the smallholders' local communities. When smallholders in Kenya are GlobalGAP certified it occurs through certification option 2: Group certification (see section 3.2.2 for further description). The group certification is an economic advantage for the smallholders as well as for the exporters: The smallholders in Kenya only posses 1/4 - 1 acre to grow their crops, and the small income this brings in no way enables the smallholders to cover the costs of getting certified alone not to forget the additional costs of the ongoing technical assistance. The exporters have the benefits of economics of scale when they are able to certify and educate the smallholders in groups. As follows, the group certification is a tool not to preclude smallholders from the global horticultural trade. Another consequence of the group certification, however, is that the formation of groups changes the structure of the local communities. In this section we firstly describe the process of group formation and internal organisation in the communities of the smallholders and the techniques by which the groups secure internal compliance. Secondly, we discuss the problems and the benefits of the new organisation of the communities.

5.2.2.1 HOW GROUP FORMATION AND INTERNAL ORGANISATION CHANGES DUE TO THE GLOBALGAP CERTIFICATION

When a group of smallholders is formed, it must be formally registered as a self-help group with the Kenyan Ministry of Agriculture in order to become a legal entity (see appendices 8.3.2 and 8.3.3). According to the smallholders being constituted as a self-help group implies that "*...if someone needs*

help the others will assist" (Field Notes Smallholder Group 2, 2010). An important part of becoming organised as a group is the drafting of a constitution that states the specific objectives of the group, the requirements for being a member, and an additional range of by-laws specifying the responsibilities of the management of the group etc. (see appendices 8.3.2 and 8.3.3). The management consists of an elected chairman, a vice chairman, a secretary and a treasurer. Each smallholder formally signs a contract ensuring that they will comply with the group's constitution and with the agreement that the group as an entity on behalf of its members signs with the exporter. This agreement stipulates among other things that the group shall adhere to the GlobalGAP standard, as mentioned in section 4.2.

When a new group is formed it is often on the initiative of a 'lead' smallholder, who is the exporter's initial contact. When a group then becomes a legal entity it is most often the same 'lead' smallholder, who becomes the first elected chairman of the group (Interview Exporter 2, 2010). An important part of the group cooperation is the group meetings. The frequency of the meetings varies from group to group (Field Notes Smallholder Group 1 and 2, 2010). At the meetings different subjects are discussed, such as the future demand of the exporter, the smallholders' relationship to the exporter, how the smallholders can improve production, and what common investments the smallholders are making or have to make in the future (water pumps etc.), and also issues related to the GlobalGAP standard and the quality of the produce (Field Notes Smallholder Group 2, 2010). Many groups even have a common budget for common investments where group members contribute to a shared account every week or month (Field Notes Smallholder Group 2, 2010).

In order to enable an effective management of the groups it is preferred to keep the groups small, about 15-30 members as a maximum. This makes it possible for a *farmer committee* to monitor the actions of every individual smallholder. A farmer committee consists of members of the group management, group members and a technical assistant representing the exporter, as illustrated in the organisational chart below. The primary task of the farmer committee is to ensure that the smallholders produce the expected volume at the expected quality adhering to the expected good agricultural practices as defined in the GlobalGAP standard. The farmer committees monitor the production sites on a weekly basis (Interview Smallholder Group 2, 2010). The groups closely monitor and work together to help each other and to assess whether they as individuals are performing as required (Interview ABD Officer, 2010).

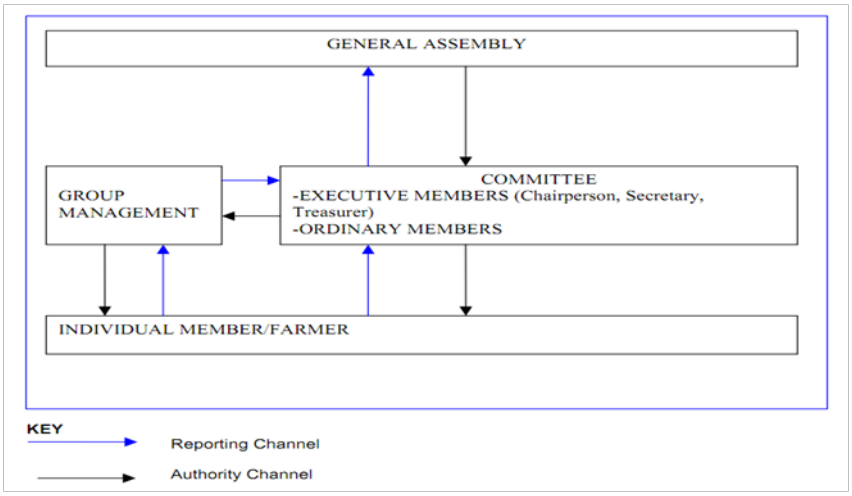

Figure 16: Organisation of smallholder groups (Fuchs et al.,2009)

When examining the above organisational chart it is important to recognise that we are talking about neighbours, who all of a sudden become organisationally entangled and economically dependent on each other. This means that the individual smallholder is not only preoccupied with his own production, but also with the production of his/her neighbours: If your neighbour fails to conduct his/her production properly it can result in you losing your income and, thus, the ability to feed your children or pay their school fees. If problems are spotted with regards to GlobalGAP requirements the committee will react by either immediately correcting errors made or by notifying the group management to take the issues up at the next group meeting. If members do not comply with the advice from the technical assistant or the group management, a notice will be given. If actions are still not taken to correct the problem, the non-complying member will either be fined or expelled from the group (Field Notes Smallholder Groups 1 and 2, 2010).

5.2.2.2 SANCTIONS TO SECURE GROUP DISCIPLINE

The smallholder groups can be sanctioned in a number of ways in order to secure group compliance by all members. Sanctions are vital in the entire value chain to maintain effective governance (Kaplinsky & Morris, 2001). In the case of the smallholder groups, we have found that the use of sanctions is effective in creating a bond between group members and controlling members' compliance. Yet, it is also a source of great irritation for the group members as we show in the section below. The smallholder groups' own by-laws and constitution define the kind of measures that are applied in cases where a member does not adhere to the rules (Interview ABD Officer, 2010). Examples of situations that are punished by sanctions are if a member is not attending group meetings, does not contribute financially, is side-selling to brokers or other exporters or continuously

uses fertilizers and pesticides wrongly. The most severe misdeeds can trigger exclusion from the group (Interview Agricultural Consultant, 2010).

Besides sanctioning individual smallholders internally, the smallholders can also be sanctioned as a group. An example of this is if the 15-30 smallholders mix their produce and the produce of one smallholder does not meet the quality requirements. In that case the smallholder is sanctioned individually (Interview Agricultural Consultant, 2010) and in some cases the whole group is sanctioned. The exporter can sanction a group by sending the produce back and refuse to pay for it or by 'ignoring' the smallholder group for a couple of months (ibid), meaning that the exporter does not buy the group's produce for a longer period. Hence, the whole group loses if one smallholder does not live up to the quality standards of the GlobalGAP.

> *...we send it back and say we are not paying for this. And pretty quickly they do, if you are saying you are not paying for it you hit them in the pocket and they will do it properly the next time* (Interview Exporter 2, 2010: l.294-5).

Exporters can also positively sanction the smallholders. An example of this is if the smallholders are able to meet specified quality requirements on a regular and sustained basis, then the exporter can decrease the level of testing (Interview Agricultural Consultant, 2010; Interview Exporter 2, 2010).

5.2.2.3 PROBLEMS ARISING FROM THE RE-ORGANISATION

When asked whether the group formation and the sudden dependency on neighbouring smallholders are difficult for the members, the immediate response by the smallholders was negative. They explained that they share the same interest: employment and increased income (Field Notes Smallholder Groups 1 and 2, 2010). According to the smallholders, the 'togetherness' ('Harambee' in Kiswahili) of the community secures that the culture of depending on each other in a group is not foreign to the smallholders, because they are all like-minded (Field Notes Smallholder Group 1, 2010). The members of the groups are often neighbours and their families have been coexisting and growing crops next to each other for years. However, as we dug deeper, some of the smallholders revealed that the reorganisation of their communities was not without problems (Field Notes Smallholder Group 1 and 2, 2010). Some of the smallholders told us that they were irritated with certain fellow smallholders, who did not produce in compliance with the GlobalGAP standard (Field Notes Smallholder Group 1 and 2, 2010). These smallholders wished that they were not sanctioned as a group by Exporter 1. Other smallholders told us that they consider it a big problem, when neighbouring smallholders do not take precautionary measures to take care of his/her crops. This can result in the crops getting a pest or a decease (e.g. cut worms or powder mildew), which

spreads to the neighbouring plots if it is not treated and can thus become expensive for the entire group (Field Notes Smallholder Group 1, 2010). Along with damaged produce and loss of income, these situations can lead to disharmony in the group.

5.2.2.4 BENEFITS OF RE-ORGANISATION FOR THE SMALLHOLDERS

It is, however, not necessarily a problematic change for the smallholders to be interdependent, as the organisation into groups draws on the existing culture of the Kenyan smallholders:

> *This society – most of the people in Kenya belong to one group or another. The women have their own merry-go-round groups. So when you talk to these persons they still end up with the same people as in the other groups that they already are. So it is not that difficult* (Interview ABD Officer, 2010).

The re-organisation of smallholders into GlobalGAP certified groups can, thus, on the positive side be seen as reinforcing an existing accountability and loyalty, which increases the group's success in the GlobalGAP implementation and their further coexistence. Group members help each other to secure a quality production, both financially, in terms of advice and by offering practical assistance if someone needs it.

Overall, the smallholders from both the groups related to Exporter 1 and 2 seemed satisfied with the help and support they receive trough their group organization. Additionally, the interdependence between group members creates a shared commitment to the idea of developing and improving the lives of their community by up-grading their farming practices and getting access to the global horticultural market (Field Notes Smallholder Groups 1 and 2, 2010).

In sum, we see that the organisation of smallholders into groups in order to achieve the GlobalGAP certification creates some changes in the smallholders' communities' production practice. Both of the two case studies' exporters applied group sanctions in order to maintain group compliance and thus contributed to the development of a group structure. Group interdependency increases significantly due to the implementation of the GlobalGAP standard, affecting not only the conditions of trade but also the very organisation of the smallholders' communities. The smallholders become increasingly dependent on each other, and if a single one fails to live up to the standards, the entire community can end up in financial stress. While it is possible to question whether an horticultural standard is right to set the direction for the development of Kenyan society, we argue that the GlobalGAP merely reinforces an existing culture of the smallholders' communities and that group certification thus can prove to benefit smallholders, who, in turn, become co-dependent and strengthened in their common strive for a better future.

5.3 PART CONCLUSION

This chapter has discussed in detail some of the most significant consequences of the GlobalGAP standard for the studied Kenyan exporters and smallholders. The discussions illustrate the fact that the consequences of implementing and adhering to the GlobalGAP standard can be perceived as both positive and negative.

In order to access the global horticultural value chain, the two exporters have to take upon them the responsibility of implementing the GlobalGAP standard. The increased responsibility while introducing the exporters to increased risk does not enable the exporters to obtain a better positioning within the value chain. One way of minimising the risks associated with investments in the implementation of the GlobalGAP standard at smallholder level is to make sure that the smallholders are certified in the name of the supporting exporter. This is a strategy that both exporters have indicated to us that they will seek to employ, a strategy that has the controversial consequence that the smallholders in effect will be tied to the exporters and denied the possibility of using the certificate to improve their bargaining power towards exporters in general.

The discussion on the consequences of the GlobalGAP standard for the smallholder groups shows that in order to comply with the standard, smallholders need to undergo profound product and process up-grading. In the beginning these changes are unfamiliar to the smallholders, but as time goes by the smallholders internalise the standards and think of them as natural. The smallholders receive their GlobalGAP certification as part of a group. The reason they get the certification as a group is that it is too costly for the smallholders as well as for the related exporter to certify the smallholders on an individual basis. If a single smallholder fails to meet the standards of the GlobalGAP, the entire smallholder group is economically sanctioned by the exporter. This results in a high level of interdependency between the smallholders that impacts the local communities of the smallholders. While this in some cases is regarded as a challenge by the smallholders, we argue that the overall impact of the GlobalGAP on the smallholders is positive. By being certified as a group, the smallholders gain the benefit of being able to count on each other and to strive for the shared purpose of creating a better future for themselves and their communities.

6. CONCLUSIONS

This dissertation has examined how a private form of regulation – the GlobalGAP standard – is incorporated in the governance of the global horticultural value chain and how its incorporation influences Kenyan exporters and smallholders. Previous analyses have focused on the costs of implementing the GlobalGAP standard and analysed the consequences for the market. With this dissertation we have had a different focal point than the cost-benefit perspective and focused on the qualitative impacts of the GlobalGAP standard. Consequently, this dissertation contributes to the existing body of literature on the GlobalGAP standard with a greater understanding of yet unexplored aspects of the impacts of this private form of regulation; aspects we explore empirically through two case studies and theoretically by applying two theoretical approaches – global governance and analytics of government.

The two case studies were conducted in Kenya during November and December of 2010. The studies evolved around two Kenyan exporters, a small and a large, and their affiliated smallholder groups. We interviewed relevant actors on as many levels as possible and studied all relevant documents in order to attain a comprehensive understanding of the effects of the GlobalGAP standard on the Kenyan part of the global horticultural value chain.

The two theoretical approaches have been operationalised eclectically throughout the analysis. We have used the global governance approach to shape the dissertation's analytical approach and to provide us with a vocabulary for characterising and understanding the impacts of the GlobalGAP standard in the global horticultural value chain. This has helped us describe how the GlobalGAP standard fills out a regulatory gap and also helped us to show that the standard not only influences its regulatory targets – the smallholders – but in fact is a factor necessary to consider more broadly within the global horticultural value chain. The analytics of government approach has been utilised to capture additional nuances of the form of regulation that the GlobalGAP standard represents alongside public regulation and how the standard is incorporated in the overall governance of the global horticultural value chain.

On this basis we have provided the following conclusions to the research question: ***How does the GlobalGAP standard as a regulation mechanism influence Kenyan exporters and smallholders and how is it incorporated into the governance of the global horticultural value chain?***

The emergence of the GlobalGAP as a governance institution can be seen as the agri-food industry's response to several developments. Firstly as a response to the fact that EU legislation has made it the industry's own responsibility to comply with certain minimum requirements regarding hygiene, the use of pesticides, transparency of the origin of products, packaging etc. Secondly, as a response to the emergence of a regulatory gap between existing public legislation, on the one hand, and rising expectations and pressure from consumers triggered by several food scares, on the other hand. Thirdly, the emergence of the GlobalGAP can be seen as a means to tackle the slow legislative cycles of both the European and national parliaments, and, fourthly, as a consequence of the fact that international agreements in the WTO hinder cross-border political interventions, which necessitates a reaction from the industry itself to meet the expectations of the end consumers.

With the analytics of government approach we show how the emergence of the GlobalGAP can also be seen as the embodiment of a modern form of power, where the capabilities of the sector itself are utilised in order to promote a certain development: The agri-food industry knows the norms, language and practices of the global horticultural value chain. Thus, making the industry responsible of the design, implementation and maintenance of food safety increases the chances of it being effective. The GlobalGAP standard can be seen as a reflection of this strategy. The GlobalGAP organisation and standard setting procedures are constantly sensitive to and flexible concerning potential modifications in demand due to changed consumer preferences or possibly changes within the industry. The fact that the agri-food industry claims responsibility by establishing the GlobalGAP standard reflects a central element in the modern form of government – governmentality – where the objects of government transform themselves into self-reflecting and self-regulating subjects. European governments thus exercise government as the conduct of conduct. They define their minimum requirements but allow and expect the industry to develop its own system of securing compliance.

According to this dissertation's case studies, which included observations and interviews with a whole range of Kenyan smallholders, exporters, an exporter association, a donor agency, agricultural consultants and technical assistants, we found that the GlobalGAP standard generally is approved of within the industry. The GlobalGAP standard does have high demands as it exceeds EU regulations and presents extended requirements in terms of environmental sustainability and workers' health. Yet, the requirements are by and large considered fair and reasonable – also in a developing country like Kenya. The GlobalGAP demonstrates its responsibility and trustworthiness by adhering to internationally recognised standard setting procedures and by including an 'African Observer' who

speaks especially on behalf of African smallholders. The implementation of the GlobalGAP does, however, cause one big problem that we want to emphasise, namely the unfortunate outcome that the costs of complying with the standard in terms of implementation, certification and maintenance are pushed upstream in the global horticultural value chain. The lead firms in the chain – the retailers – and other European buyers dictate the GlobalGAP standard as a de facto minimum requirement for entry into the global value chain, yet, no premium is rewarded for adherence to the standard as compensation for costs. In this regard the GlobalGAP risks losing the image of representing a responsible regulation mechanism, as it systematically equips the poorer countries with a disadvantage for participating in the global trade.

Our analysis has illustrated the ways in which the GlobalGAP standard enables the European buyers to uphold global-scale production networks, while remaining vertically disintegrated from their suppliers. Two modes of power are at play in securing European buyers' control of the production from a distance: discipline and governmentality. The principle of traceability of the GlobalGAP standard enables disciplinary sanctions to be taken if contaminated produce is found. The sanctions are fierce and material for the exporters as individuals and for the smallholders as collectives. Both risk loss of revenue and market share loss, which are both vital to the smallholders' and exporters' livelihood and continued existence.

When the GlobalGAP standard is implemented, the smallholders soon begin to internalise its inherent logic and subscribe to the GlobalGAP standard's version of 'good agricultural practices'. By subscribing to the logic of risk management the smallholders become calculative actors within predefined calculative spaces capable of controlling risks. The incorporation of the GlobalGAP standard installs a practice of self-supervision and self-monitoring, where the smallholders constantly observe their own practices and monitor their fellow group members in order to ensure compliance with the predefined protocols. The European buyers are thus able to govern the self-government of the exporters and smallholders through the incorporation of the GlobalGAP standard into the governance of the overall global horticultural value chain.

The dissertation's analysis has also shown the ways in which the GlobalGAP standard affects the coordination and relationship between (a) the European buyers and the Kenyan exporters and (b) the Kenyan exporters and the Kenyan smallholders. In the former the standard helps to codify information into calculative terms in the form of the GlobalGAP standard's control points and the distinct compliance criteria. The ability to codify the requirements in combination with the rather

high capabilities of the exporters entails that the coordination between the two actors can be characterised as modular. The coordination between the exporters and the smallholders has quite opposite merits, because the GlobalGAP standard's ability to codify information is not enough in itself due to the relative low capabilities of the smallholders. Consequently, the exporters assume a paternalistic role in their relationship with the smallholders. They support and monitor all operational aspects of the smallholders' production processes in order to make sure that the smallholders meet the standard defined by the GlobalGAP. The GlobalGAP standard thus becomes a legitimate point of reference in the exporters' disciplinary measures directed towards the smallholders.

The discussions in chapter 5 have shown that the exporters, both large and small, are the real risk-takers in the implementation of the GlobalGAP standard. The exporters are pressured by the concentration in the value chain at buyer level in Europe from one side and by the low capabilities of the smallholders from the other. For the small exporter the risk-taking pays off in terms of advancing the company's ability to switch to other buyers by being able to demonstrate that its products are GlobalGAP certified. Yet, for the large exporter its investments in the implementation of the GlobalGAP standard does not advance its options of switching to other European buyers, as the exporter's asset investments that enables it to meet the special requirements of the UK market also ties it to that same market. Together these observations point to the conclusion that the exporters will have to accept the role of being the risk-takers if they want to stay in the market.

Though the implementation of the GlobalGAP standard might not lead to any noticeable increase in risk-taking for the smallholders it does comprise significant impacts. First of all, the GlobalGAP standard induces significant changes in the smallholders farming practices and changes the way they perceive the role of farming. Traditionally farming was 'just a way of living' but the implementation of the GlobalGAP standard makes it a 'business'. Secondly, the fact that the implementation of the GlobalGAP standard makes the smallholders attractive to other exporters will over time most likely give way to an enhanced ability for the smallholder groups to switch to other buyers and thus enhance their bargaining power. Yet, the current scenario for the smallholders of both our cases is that their high dependency on the exporters in terms of continuous support of the implementation of the GlobalGAP standard will result in a formal tie of the smallholders to the exporters for at least the first couple of years following the implementation. Thirdly, we have shown that the implementation of the GlobalGAP standard as a derived effect of Option 2 certification has been instrumental in a reorganisation of the local smallholder communities into groups, whereby the

smallholders suddenly are considerably interdependent and responsible to each other in terms of income.

All in all, this dissertation is a contribution to the existing knowledge of the GlobalGAP standard. It is a contribution which gives a face to the changes on the ground caused by the GlobalGAP in a developing country like Kenya. Yet, on a more general level the dissertation inscribes itself into the ongoing discussion about the double-edged sword of globalisation. On the one hand, the GlobalGAP facilitates access to the global market for smallholders in Kenya, who might otherwise have had no chance of prospering. The GlobalGAP teaches the smallholders a way of farming that is both more efficient and healthier for the smallholders themselves, the end consumers and for the sustainability of the environment. Yet, on the other hand the GlobalGAP has a European and hence a market based point of departure founded on European farming practices. In essence it is a regulation mechanism with the goal of supplying European retailers and other European buyers with the products they demand and a regulation mechanism that reinforces a hierarchical relationship between the smallholders, the exporters and the European buyers and thus between developing countries and the industrialised part of the world.

6.1 A FURTHER PERSPECTIVE: GLOBALGAP AND LEGITIMACY

Based on the conclusions of this thesis, questions about legitimacy emerge: Does the GlobalGAP and the agri-food industry have the democratic mandate to govern the direction of development of the local communities in Kenya? Who is able to challenge and question the GlobalGAP standard? Who is the GlobalGAP accountable to? As mentioned in the introduction, Vogel (2007) claims that a defining feature of private regulation mechanisms, and thus the GlobalGAP standard, is that their legitimacy is not rooted in public authority. This issue of legitimacy is a further perspective that we use this opportunity to discuss.

Legitimacy can according to Bernstein (2004) be defined as *"...the acceptance and justification of shared rules by a community"* (Bernstein, 2004, p.2). This definition combines an empirical measure of legitimacy, emphasising the acceptance of a rule or institution, with a normative argument about the justification that a rule setting authority and its rules might possess. Bernstein (2004) claims that the legitimacy can be assessed by relaxing some of the requirements for a full-fledged deliberative and democratic mechanism. If we therefore leave out of account the fact that no public elections legitimise the GlobalGAP governance we can, inspired by Bernstein (2004) and Fuchs et al.(2009),

discuss GlobalGAP's legitimacy in relation to the principles of 'access to participation', 'transparency' and 'accountability'.

ACCESS TO PARTICIPATION AND TRANSPARENCY IN THE GLOBALGAP

In terms of access to participation in private sector initiatives like the GlobalGAP one can look at both vertical and horizontal inclusion of stakeholders according to Tallontire (2007). Though the GlobalGAP standard emerged on the initiative of European retailers the organisation vertically includes other actors along the value chain, supplier and producers, into full membership of the organisation and its standard setting processes. Associated members (certification bodies, consultancy companies, and plant protection or fertiliser industry actors) can influence the processes in the organisation through the Certification Body Committee[21]. The table below depicts the distribution of members in 2009:

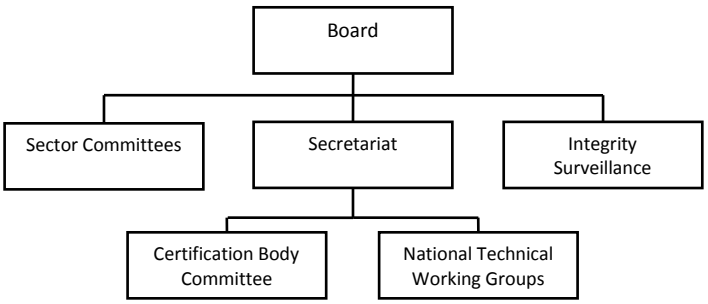

Figure 12: Organisational structure of the GlobalGAP

Continent	Retailer members	Supplier/Exporter members	Associate members	Total
Africa	0	9	6	15
Asia	1	4	10	15
Australia and New Zealand	0	3	3	6
Europe	40	114	66	220
Middle East	0	3	1	4
North America	2	9	8	19
Latin America	0	15	11	26
Total	43	157	105	305

Table 6: Distribution of members (Fuchs et al., 2009)

As shown there exists an apparent distribution of the members in favour of European actors. This is perhaps not a great surprise as the standard is of European origin and especially employed by European retailers. However, it is a distribution that probably reveals the fact that participation in the standard setting activities is one that requires resources, which means that European companies have an obvious advantage. The unequal geographical distribution of the members that exist is a fact that the GlobalGAP organisation has reacted upon as described in section 3.2. The GlobalGAP organisation has addressed this issue in its terms of references for its sector committees (its standard

[21] Its role is to manage feedback coming from audits worldwide and harmonise the interpretation criteria set by the sector committees

setting bodies) by ensuring that there is a geographical representation in the committees. Additionally, the organisation encourages the establishment of National Technical Working Groups (NTWGs) in the countries from which the members originate (see figure 12 above). The role of the NTWGs is, firstly, to develop national interpretation guidelines, and, secondly, to be an official and recognised communication channel with the GlobalGAP Secretariat and GlobalGAP Sector Committees. This communication channel ensures that information about specific challenges related to the local adaptation and implementation of the GlobalGAP standard can be passed on to the GlobalGAP organisation (Interview GlobalGAP Secretariat, 2011). As it is now, the horticultural sectors in developing countries in Africa are struggling to establish the NTWGs and it is the aim of the GlobalGAP organisation that the African NTWGs in the longer run will substitute the African Observer role that presently exists.

> *The NTWGs have been organised in order to ensure that we have a structured consultation process not just the calling for comments, but making sure that the African countries that are interested and that are able and equipped to raise their voice and to actively participate in the standard setting get the opportunity to do so* (Interview GlobalGAP Secretariat, 2011: l. 46-49)

If these African NTWGs prove resourceful and with sufficient capabilities in representing both exporters and the smallholders in their respective countries the GlobalGAP has gone far in terms of ensuring that the constituents of its regulation gain access to participation. However, whether the GlobalGAP organisation is able to establish the NTWGs still remains to be seen and as it is now relies solely on the capability of the private sectors in the respective countries.

Horizontal inclusion, according to Vogel (2007), means that non-commercial interests, such as those held by NGOs and consumer groups are included. As non-industry stakeholders cannot obtain membership of the GlobalGAP organisation any discussion about horizontal inclusion is dependent on the level of transparency. Only if the internal processes of the GlobalGAP are observable to outside stakeholders will non-industry actors have a chance to participate. As described in section 3.2 the standard setting procedures of the GlobalGAP standard stipulates a certain degree of openness towards external stakeholders. Proposals for new standards are posted on the GlobalGAP website and two public consultation phases each lasting 60 days exist in which outside stakeholders are able to voice their concerns by writing statements to the responsible sector committee: Statements that if found relevant and applicable are incorporated into the standard. In any case the organisation will as a minimum formally reply the stakeholders. However, we point to two concerns that undermine this otherwise commendable attempt to make the standard setting processes transparent: 1) That the discussions in the sector committees are not publicly disclosed, and 2) the

fact that written statements obtained in the public consultation phases and their replies are not posted at the GlobalGAP website. It would strengthen the transparency of the organisation to allow outside stakeholders to get insight into these matters.

THE ACCOUNTABILITY OF THE GLOBALGAP

The accountability of the GlobalGAP organisation is one of the cornerstones in assessing the legitimacy of the GlobalGAP organisation. The fundamental idea of accountability is that the affected public should be able to hold the decision-makers accountable and 'vote them out of office' if performance is deemed insufficient (Fuchs et al., 2009). Given the fact that the GlobalGAP as a private organisation does not have elections that include the external public, but does have a democratic governance structure internally, it makes sense to distinguish between internal and external accountability.

In the governance structure of the GlobalGAP the Secretariat that facilitates the processes in the organisation, and the different committees report to the GlobalGAP Board. The Board in turn reports to the organisation's members. This means, that an internal accountability structure does exist. When it comes to the external accountability parameter it becomes slightly more complicated. External accountability entails that the organisation is held responsible not just to those who delegate the organisation power but to those who are affected by its decisions (Fuchs et al., 2009). Table 6 shows the geographical representation among the members of the GlobalGAP. Against these numbers stand the number of certified producers world-wide, which according to the GlobalGAP in 2008 amounted to 94.000 (Fuchs & Kalfagianni, 2010). The fact that the organisation encourages the establishment of the NTWGs nationally does not automatically imply that the certified producers can gain influence in GlobalGAP activities as the NTWGs are strictly for GlobalGAP members. A Group supplier membership costs € 2550 annually (GlobalGAP (2), 2011) and is therefore not attainable for most if not all African smallholders. Even if a GlobalGAP membership has been obtained influence in the standard development processes also necessitates the capacity and resources to participate actively, again a requirement that in most cases is unachievable for African smallholders as well as many African exporters. The number of stakeholders, however, becomes even bigger if we take into account the producers who cannot afford to go through the GlobalGAP certification and thus are denied entry to the global horticultural market. Who can hold the GlobalGAP accountable for this?

Food safety is an important issue and we do not argue that requirements should be lowered in order to ease the inclusion of African smallholders. Yet, scrutinising and improving some of the ingrained

mechanisms in the regulation, such as the way in which compliance costs are distributed among the actors in the chain seems appropriate. Especially, the high costs related to auditing by an independent company, that European buyers sometimes require to be European, is a huge problem. As Dr. Stephen Mbithi, the GlobalGAP African Observer, frames it:

> *...that's not money small-scale farmers come across. Even in a year. And it never needed to be that expensive, because it's just an attestation of what they are doing [...] And we will have to get it lower, because, don't say that it's expensive to check the farm. I mean what's so difficult with checking this list? You can train people to do that. Why do you need to get guys from Europe to come and check? Come on, how sustainable is that? [...] We must find cost-effective ways of certification, we must lower the cost of certification. Even with group certification, this needs to be lowered* (Interview Mbithi, 2010: l.472-480).

As it is now, besides Dr. Stephen Mbithi, only European consumers can put real pressure on the retailers in Europe to ensure that private regulation mechanisms such as the GlobalGAP address these problems.

In sum, we find that the criteria of participation, transparency and accountability are fulfilled only to some extent in the case of the GlobalGAP. In terms of participation only members are included in GlobalGAP's activities and outside stakeholders can merely partake in the consultation face. The issue of transparency is partly addressed by the GlobalGAP organisation, yet, the standard setting activities lack full disclosure to outside stakeholders in order for the transparency criteria to be assessed as satisfied. In terms of accountability the GlobalGAP organisation has an internal governance structure that enables accountability towards GlobalGAP members. However, the GlobalGAP does not have a mechanism ingrained in its organisation that makes it accountable towards the broader range of actors affected by its regulation. External accountability can only be seen as fulfilled to a minimal extent through the pressure that European consumers can put on their retailers. Thus, there is still room for improvement.

6.2 IMPLICATIONS FOR FURTHER RESEARCH

If the time frame for the research conducted in relation to this dissertation had been different and allowed for even more in-depth research, the presented analysis and discussions might have been more nuanced. Further research could encompass an in depth analysis of how European buyers perceive the impacts of the GlobalGAP standard and the ways in which it is incorporated in the governance of the global horticultural value chain. Another perspective that could supplement the analysis would be to go in to greater detail with the institutional dimension of global horticultural trade. According to Neilson and Pritchard (2009) the global value chain approach *"...has been*

conceptualised all too frequently as being solely about governance" (Neilson & Pritchard, 2009: p.8). The exploration of the impacts of the GlobalGAP standard on the horticultural vale chain would benefit from additional insights into the local, national and international conditions and policies (Institutions 'out there') and their relation with the GlobalGAP standard. Equally interesting is to explore what Nielson and Pritchard (2009) frame as institutions 'in here' and focus attention on the ways in which the GlobalGAP standard correlates with other rules and norms embedded across borders and in the organisation of the global horticultural value chain. We have during our research constantly been reminded of the importance of institutions and have to a certain degree incorporated them in our analysis: Both at the macro level where our analysis encompasses elements of the institutional framework in which the GlobalGAP standard has emerged, but also at the micro level where we have discussed the GlobalGAP standard in relation to its ability to change the mind-sets of the smallholders. Further research into how the GlobalGAP standard coexist over time side by side with EU legislation would be an interesting area of research: Will the flexibility of GlobalGAP's legislative cycle entail that future EU legislation basically adopts some or more of the elements of the GlobalGAP standard and transforms them into hard law? The analysis of this dissertation could also serve as a starting point for research into whether the norms embedded in the GlobalGAP standard gets entrenched within societies in Kenya and other developing countries.

7. BIBLIOGRAPHY

ABD (2010) Export-Vegetables Value Chain Analysis: Lower Eastern Region (Machakos, Makueni and Kitui) Kenya. *Agricultural Business Development and Cactus Analysis and Management Services*.

Bernstein, S. (2004) Legitimacy in global environmental governance. *Journal of International Law and International Relations*, 1, p.139-159.

Busch, L., Bingen, J. & Harris, C. (2001) Global change in agrifood grades and standards: agribusiness strategic responses in developing countries. *International Food and Agribusiness Management Review*, 2 (3/4), p.421–435.

Campbell, H. (2005) The rise and rise of EurepGAP: European (re) invention of colonial food relations. *International Journal of Sociology of Agriculture and Food*, 13 (2), p.1–19.

Cashore (2002) Legitimacy and the Privatization of Environmental Governance: How Non-state Markets-Driven (NSMD) Governance Systems Gain Rule-Making Authority. *Governance: An International Journal of Policy, Administration, and Institutions*, 4 (15).

Dean, M. (1999) *Governmentality: power and rule in modern society*. SAGE.

Dean, M. (1998) Risk, calculable and Incalculable. *Soziale Welt*, 1998, p.25-42.

Debreu, G. (1959) *Theory of Value - An Axiomatic Analysis of Economic Equilibrium*. New Haven and London, Yale University Press.

Djelic, M.L. & Sahlin-Anderson, K. (2005) Transnational Governance in the Making - Regulatory Fields and their Dynamics. In: *Transnational Governance: Institutional Dynamics of Regulation*. Cambridge, Cambridge University Press.

Dolan, C., Humphrey, John & Harris-Pascal, C. (1999) *Horticulture Commodity Chains: The impact of the UK market on the African fresh vegetable industry, IDS working paper 96*. Brighton, U.K.: Institute of Developing Studies.

Dolan, C. & Humphrey, J. (2004) Changing governance patterns in the trade in fresh vegetables between Africa and the United Kingdom. *Environment and Planning A*, 36 (3), p.491–510.

Dubois, A. & Gadde, L.E. (2002) Systematic combining: an abductive approach to case research [Internet]. Available from: <http://www.sciencedirect.com.esc-web.lib.cbs.dk/science [Accessed 28 February 2011].

Evers, C.W. & Wu, E.H. (2006) On Generalising from single case studies: Epistemological reflections. *Journal of Philosophy of Education, Oxford*, 4 (40).

FAO (2011) FAO : GAP [Internet]. Available from: <http://www.fao.org/prods/gap/> [Accessed 8 March 2011].

Flyvbjerg, Bent (2006) Five Misunderstandings about Case-Study Research. *Qualitative Inquiry*, 12 (2), p.219–245.

Flyvbjerg, Bent (1988) *Case Studiet Som Forskningsmetode*. AUC - Aalborg Universitetscenter. Institut for Samfundsudvikling og planlægning.

Foucault, M. (2007) *Security, Territory, Population*. by Senellart, M, Ewald, F and Fontana, A. Palgrave Macmillan.

Fuchs, D. & Kalfagianni, A. (2010) The GlobalGAP. In: *Non-State Regulation and Development*. ed. Daryl Reed. Available from: <http://www.uni-muenster.de/imperia/md/content/fuchs/publikationslisten/2011-02-02_publikationsliste_fuchs.pdf> [Accessed 15 March 2011].

Fuchs, D., Kalfagianni, A. & Havinga, T. (2009) Actors in private food governance: the legitimacy of retail standards and multistakeholder initiatives with civil society participation. *Agriculture and Human Values*. Available from: <http://www.springerlink.com/index/10.1007/s10460-009-9236-3>.

Garbutt, N. & Coetzer, E. (2005) Options for development of national/subregional codes of good agricultural practice for horticultural products benchmarked to EurepGAP. UNCTAD. Available from: <http://www.unctad.org/en/docs/ditcted20072_en.pdf> [Accessed 15 March 2011].

Gereffi, G., Humphrey, John & Sturgeon, T. (2005) The governance of global value chains. *Review of International Political Economy*, 12 (1), p.78-104.

Gibbon, P. & Ponte, S. (2008) Global value chains: from governance to governmentality? Economy and Society, August 2008 (Volume 37), p365-392.

GlobalGAP (1) (2011) GLOBALGAP - Integrated Farm Assurance Version 3 [Internet]. Available from: <http://www.globalgap.org> [Accessed 27 February 2011].

GlobalGAP (2) (2011) GLOBALGAP - Governance [Internet]. Available from: <http://www.globalgap.org> [Accessed 27 February 2011].

GlobalGAP (3) (2011) GLOBALGAP - Sector Committees [Internet]. Available from: <http://www.global gap.org> [Accessed 27 February 2011].

GlobalGAP (a) (2009) GlobalGAP: General Regulations and Integrated Farm Assurance. Part II General Information. Version 3.1. Available from: <http://www.globalgap.org> [Accessed 27 February 2011].

GlobalGAP (b) (2009) GlobalGAP: Control Points and Compliance Criteria - Integrated Farm Assurance. Available from: <http://www.globalgap.org> [Accessed 27 February 2011].

GlobalGAP (c) (2008) GlobalGAP: Terms of References GlobalGAP Sector Committees (SCs). Available from: <http://www.globalgap.org> [Accessed 27 February 2011].

GlobalGAP (d) (2008) Procedures for the setting and revision of GlobalGAP Standards. Available from: <http://www.globalgap.org> [Accessed 27 February 2011].

GlobalGAP (e) (2011) GlobalGAP Smallholder Guides. Available from: <www.globalgap.org> [Accessed 31 March 2011].

Graffham, A. (2006) EU legal requirements for imports of fruits and vegetables (a suppliers guide). Available from: <http://www.agrifoodstandards.net> [Accessed 27 February 2011].

Grix, J. (2004) *The Foundations of Research*. Palgrave MacMillan.

Henson, S. (2008) The Role of Public and Private Standards in Regulating International Food Markets. *Journal of International Agricultural Trade and Development*, 1 (4), p.63-81.

Higgins, W. & Hallstrom, K.T. (2007) Standardization, Globalization and Rationalities of Government. *Organization*, 14 (5), p.685-704.

Hoffman, M. (1999) Problems with Peire's Concept of Abduction. *Kluwer Academic Publishers, Netherlands*, 4, p.271-305.

Homer, S. (2008) *The GAP is getting wider: how private standards are filling the void between dynamic public opinion and food safety legislation*. National Resource Institute (NRI) and International Institute for Environment and Development (IIED), Fresh Perspectives. Available from: <http://www.agrifoodstandards.net> [Accessed 27 February 2011].

Humphrey (2006) *Global Value Chains in the Agrifood Sector*. UNIDO - United Nations Industrial Development Organisation. Available from: <www.unido.org> [Accessed 14 March 2011].

Humphrey, John (2008) *Private Standards, Small Farmers and Donor Policy: EUREPGAP in Kenya*. IDS - Institute of Development Studies. Available from: <http://www.ntd.co.uk> [Accessed 14 March 2011].

Jeppesen, B.J. (2011) SuperBest beder om tilgivelse efter kød- og vinskandale [Internet]. Available from: <http://www.fyens.dk/article/1359722:Indland-Fyn--SuperBest-beder-om-tilgivelse-efter- koed-og-vinskandale> [Accessed 22 February 2011].

Jessop, B. (2006) From micro-powers to governmentality: Foucault's work on statehood, state formation, statecraft and state power. *Political geography*, 26 (1), p.34–40.

Kaplinsky, R. & Morris, M. (2001) *A handbook for value chain research*. IDRC.

Kvale, S. (2006) *Interview - en introduktion til det kvalitative forskningsinterview*. 1. udgave, 13 oplag ed. København, Hans Reitzels Forlag.

Lemke, T. (2007) An indigestible meal? Foucault, governmentality and state theory. *Distinktion: Scandinavian Journal of Social Theory*, 15, p.43–64.

Löfdahl, M., Ivarsson, S., Andersson, S., Långmark, J. & Plym-Forshel, L. (2011) Eurosurveillance - View Article [Internet]. Available from: <http://www.eurosurveillance.org/ViewArticle.aspx?ArticleId= 19268> [Accessed 28 February 2011].

McCormick, D. & Schmitz, H. (2001) Manual for value chain research on homeworkers in the garment industry. *Institute for Development Studies, University of Nairobi, Kenya*. Available from: <http://www.globalvaluechains.org/docs/wiegomanualendnov01.pdf> [Accessed 15 March 2011].

Nadvi, K. (2008) Global standards, global governance and the organization of global value chains. *Journal of Economic Geography*, 8 (3), p.323.

Neilson, J. & Pritchard, B. (2009) *Value Chain Struggles: Institutions and Governance in the Plantation Districts of South India*. Wiley-Blackwell.

Ponte, S. & Gibbon, P. (2005) Quality standards, conventions and the governance of global value chains. *Economy and Society*, 34 (1), p.1-31.

Power, M. (2007) *Organized Uncertainty: Designing a World of Risk Management*. OUP Oxford.

Rhodes, R.A.W. (1996) The New Governance: Governing without Government1. *Political studies*, 44 (4), p.652–667.

Riisgaard, L. (2010) Localizing Private Social Standards: Standards Initiatives in Kenyan Cut Flowers. In: *Global Agri-Food Trade and Standards - Challanges for Africa*. Palgrave MacMillan, pp136-161.

Saunders, M., Lewis, P. & Thornhill, A. (2007) *Research Methods for Business Students*. Prentice Hall, Spain, Artes Graficas.

Sending, O.J. & Neumann, I.B. (2006) Governance to governmentality: Analyzing NGOS, States, and power. *International studies quarterly*, 50 (3), p.651–672.

Silverman, P.D. (2004) *Doing Qualitative Research: Second Edition*. 2nd ed. Sage Publications Ltd.

Stanton, G.H. & Wolff, C. (2008) Private voluntary standards and the World Trade Organisation (WTO) Committee on Sanitary and Phytosanitary Measures. Available from: <http://www.agrifoodstandards.net> [Accessed 27 February 2011].

Strange, S. (1996) *The Retreat of the state: the diffusion of power in the world economy*. Cambridge University Press.

Sørensen, E. & Torfing, J. (2005) *Netværksstyring: fra government til governance*. Roskilde Universitetsforlag.

Tallontire, A. (2007) CSR and regulation: towards a framework for understanding private standards initiatives in the agri-food chain. *Third World Quarterly*, 28 (4), p.775–791.

Vigsø, S. (2011) Kend din kotelet [Internet]. Available from: http://www.dr.dk/sundhed/dinsundhed/artikler/2011/0208160925.htm [Accessed 28 February 2011].

Vogel, D. (2007) The Private Regulation of Global Corporate Conduct. *Business & Society*, 49 (1), p.68-87. Available from: [Accessed 13 September 2010].

Walters, W. (2004) Some Critical Notes on Governance. *Studies in Political Economy*, 73 (0).

Walters, W. & Haahr, J.H. (2005) governmentality and political studies. *European Political Science*, 4 (3), p.288–300.

Yeung, H.W. (1997) Critical realism and realist research in human geography: a method or a philosophy in search of a method? Available from: <http://phg.sagepub.com/content/21/1/51.full.pdf+html> [Accessed 8 March 2011].

Yeung, H.W.-chung (1995) Qualitative Personal Interviews in International Business Research: Some Lessons from a study of Hong Kong Transnational Corporations.

Yin, R.K. (1989) *Case Study Research: Design and Methods, First Edition, Applied Social Research Methods Series, Vol 5*. 1st ed. Sage Publications, Inc.

8. APPENDICES

8.1 INTERVIEW GUIDE

This is a standard version of the interview guide. The actual interview guides used were designed specifically for the interviewee.

Interview, Name, Time Place

How is the value chain of horticulture organized and what are the position of the actors involved?

- **Introduction**
  - Can you tell us a little about your Business
  - How is business nowadays?
- **Analyse and Map the Value Chain**
  - Has business changed the last 10 years?
  - How does the products reach the importer?
  - From whom do you buy your products?How?
  - Chain Driving - who and how

Concerning Buyer relationship (Downstream)

- What is your contractual relationship with your buyer?
- Who determines the quality of the goods?
- Who assesses the quality?, you, buyer, third-party?
- What happens if the goods do not live up to buyer's requirements?
- What are the possible sanctions?
- Do you get the same price for the products each time?
- Who determines the price?
- How much do you sell to your buyer(s), weekly, monthly?
- Is it the same amount each time?
- Can you choose the amount you sell? (flexibility)
- Does the price change depending on the quality of the product?
- Are there from buyers side advanced notice of ups and downs on demands?
- Is it easy for you to switch to another buyer ? (costs related?)
- Is there prompt payment? How many credit days?

Concerning relationship to Producers (Upstream)

- From who do you get your produce?
- What is your contractual relationship with the producers/smallholders?
- What is the role of the collection centres?
- How is the quality of the produce assessed?
- What happens if the goods does not live up to your requirements?
- What are the possible sanctions?
- Do you buy at the same price each time?
- Who determines the price?
- How much do you buy?, weekly, monthly
- Is it the same amount each time?
- Can you coordinate the amount you buy from producers according to what you can sell?

Does the price change depending on the quality of the product?
Is there prompt payment? How many credit days?
Is it specified in the contracts (if such exists) - both with buyers and your producers - that the products are GlobalGAP/kenya GAP certified?
Of the produce you export - how much do you produce yourself?

What are the legislative (who makes the rules and how), judicial (how is compliance monitored and assessed) and executive (which tools are used ensure compliance) governance aspects the GlobalGAP standards?

- **Introduction**
  Can you tell us a little about the GlobalGAP standard?
  How did you hear about it? (introduced by importers)?
  Can you tell us about how you implement the requirements of GlobalGAP?
- **Certification/implementation**
  Can you give some examples of what parts of the GlobalGAP Implementation are challenging to implement?
  Can you give some examples of what parts of the GlobalGAP Implementation are easy to implement?
  Who certifies and how are your farmers certified?
  Who monitors? How often, internal/external?
  Are there rewards if standards are kept, in terms of less level of auditing?
  What happens if your farmers do not comply? (Sanctions?)
  Trial periods?
  If farmers are certified on a group basis, how do sanctions take place?

What are the costs, performance requirements, rewards and risks for Kenyan smallholders and exporters of complying to GlobalGAP standards?

- **Identify performance requirements**
  How has your practices changed due to GlobalGAP certification?
  Quality, process, workers' conditions
  GlobalGAP risk assessment on social practices

Which costs are associated with GlobalGAP compliance?

- **Cost of compliance for smallholders/exporters**
  What costs are associated with your GlobalGAP/kenya GAP certification?
  Implementation?
  Certification?
  Monitoring
  Re-certification?
  Who bears the cost of compliance? (donor, you, smallholders)

What are the rewards associated with GlobalGAP compliance?

Has GlobalGAP influenced your revenues?
What are the consequences of the GlobalGAP certification in terms of price?
What are the consequences of the GlobalGAP certification in terms of workers employed?
What are the consequences of the GlobalGAP certification in terms of demand for your product?

Does GG standards entail that you can negotiate different forms of contracts with your buyers?

Does GG standards entail that your contractural relationhsip with producers change?

Which risks are associated with GlobalGAP compliance?

What are the risks of being certified? And certifying your producers?

Do you expect change in the next five years due to GlobalGAP?

8.2 INTERVIEW TRANSCRIPTION

A simple technique has been used to transcribe the interview with the two exporters. This excludes behavioral comments and irrelevant passages of the interview, as this was not used for the analyses. Where a word is unclear it is marked [like this]. When we are asking a question it is marked **I:** like this? The transcribed interview below is an example in which the names of the persons as well as the company they represent are kept anonymous.

***

Interview with the Commercial Accountant (CA) and the General Manager (GM) of Exporter 1, Nairobi, December 2, 2010.

I: Maybe you can start by telling us about Exporter 1

CA: Ehm, Ok Exporter 1 was founded back in 1979 as a small company slowly growing to an entrepreneurial business. From 2001 is when we started supplying Safeway in the UK and then we had a marketing agent called Fischer Fresh Vegetables and we then penetrated towards the European market Germany, France yeah. And ever since we have never looked back and just kept on growing and exporting. Currently we have about 3000 hectors of land in farming

I: Like vegetables?

CA: Yes, in Kenya. Most is around Mt. Kenya region and that is where the flower farms are as well and we have now gone into the European market we have also got the South African market share with Woolworths. We do a bit of Avocado as well to Germany. Last year we did about a 110 containers. That's the General Manager…

[New introduction]

CA: So we have started this outgrower schemes. Taita we started about three years back. We got another outgrower scheme in Mt Kenya region as well – [place?]. Which has about is 1700?

GM: Ehm yeah 1700 growers, individual farmers in 9 groups, so some of the groups are quite large in fact I got my stats downstairs. So we got around 9 groups and each group is of different sizes. Some groups are made up of about 300 farmers and some of them are made up of about 50 to 60, 80 farmers in the different regions. And each farmer works for a particular group so the group is

effectively the buyer and then group supplies [leaky?] outgrower scheme which is our outgrower scheme. And it's mainly CA's thing but you agree that it is seasonal prices?

CA: Yeah ok, what we are trying to do is that we want these outgrowers to survive year around because we don't want to like stop them. Of course these are not very loyal farmers as well because if other exporters go and offer higher prices for the produce they will always like try and sell a bit of our products. The other thing is to try and keep them year around, like during the low season when other exporters come to the farmers to buy any product, and if you decide to kill these farmers anyways. But we don't do that, we don't encourage that. Whatever we have put on the contract as part of programme we honour that we take it and dump. And that is the same concept as in ABD as well having in Taita. If you talk to ABD they will tell you the same thing. We have dumped quite a bit of Baby corn over the last two week, but we have still paid the Taita farmers.

GM: Yeah I mean basically we have a…I have got a master programme for all our growers. So obviously we got the outgrower scheme, we got 8 of our own farms and between all of them and one of our farms are about a 1000 hectors so we go from a 1000 hectors down to pretty much one hector and that is kind of the scale difference so everything that is under the 50 hectors goes into the outgrower scheme. So we have a programme which we reanalyze every two or three weeks and we send out planting programmes to all of our farms including the outgrowers although they outgrower scheme generally speaking is pretty constant. Overall in outgrower scheme we will expect something in the region of 15 tons of sugar snaps and 15 tons of […] per week.

I: All year?

GM: Pretty much yes.

I: You don't have like low season in Feb., march April?

GM: Ehm

CA: During rainy season because of the impact on the quality and all that

GM: Year there are times of the year where… Because when it gets very hot and dry you'll find that volume will go down because they don't have enough water for their irrigation schemes. Immediately after the rains you'll find that there will be a massive rise in the [vegabilities] and not just from our schemes but from other schemes around the country. So there is a big fluctuation which follows the rainy season in Kenya. That is the main factor effecting local prices so what we have to do is to make sure that we adjust our prices to our growers so it is roughly in line with the going rate.

I: At the local going rate or?

GM: Yes buying locally. Because you see what happens is they all supply locally to a local hub and then we have about four or five trucks and the trucks are going around all the schemes picking up. So they don't have to do anything. All they have to do is, we give them seed, they plant, we give them agronomical advice – technical advice, we tell them which with what they should spray, how to store chemicals, what clothes to wear if you are spraying, how to look after the crop – insect deceases and so on.

I: I'm sorry can I stop you here just to provide some structure to our conversation we have prepared some questions. Just to... you didn't hear the introduction but we are writing about how GlobalGAP affects actors along the value chain. So here in Kenya – the exporters and the producers. So can break the conversation down to first talking about your relationship with buyers in Europe and South Africa or where you are exporting to. Can you tell us which kind of products you are selling and the about the buyers you have?

CA: We have got a range of premium and prepared vegetables. Premium from runner beans, French beans baby corn, garlic peas, onions. Those are our main lines carrots, baby carrots. We got prepared and mixes – we will take you around for a tour – prepared is all the [tracked], sliced English vegetables and then mixes baby corn, sugar snaps stir fries. And what else do we have…

GM: Yeah, and if you put it in proportions it is roughly 120 tons of premium vegetables exported a week and then 80-90 tons of prepared vegetables. So the premium vegetables are obviously the majority, but they tend to fluctuate a lot during the year, because when the European season kicks in during late spring early summer we drop out and they come in. The UK supply is pretty constant through the year but the African supply is obviously during the European winter. But on the prepared veg it tends to be pretty constant 12 months a year. You know things like stir fries and prepared mixes they are slightly more complex mixes that people don't really want to be doing in Europe because of the cost of labour – so we can afford to be doing those. Our speciality here in Kenya is the 12 months premier supply, it's a few exotic veg like baby corn, sugar snaps plus all the vegetables you would grow in Europe during the summer. So for UK the biggest one is runner beans, the next biggest is French beans or Kenya beans or fine beans or whatever you want to call it. So that's really our big big lines. That takes up about 50-60 percent of everything we do and then we go on to the slightly more…on the premium line you will be talking about chillies, sugar snaps, baby corn and that sort of thing. And then on the prepared side we take those and mix them up with other ingredients. You end up with all sorts of multiple mixes. Stir fries might have 8 or 9 ingredients. About a 150 to 200 lines is what we are doing at the moment. One other thing is that 20 percent of what we export to the UK is catering. So the catering market has always been quite big, but it is a still growing market for us. At times it up to 25 percent of everything we do. That will be a combination of packs for caters as in pubs, clubs, hotel chains and that sort of things and the other is bulk bags which go to European factories where they assemble. So it would be mixed ingredients we might for example supply broccoli into to somebody in the UK and they will put it into a mix with baby corn from Thailand and something from South Africa and something from Spain or wherever.

I: Ok, so catering and retailers or wholesalers. Who are you selling to, who are your customers?

CA: We've got Sainsbury as our number one costumer right?

GM: So we got the big […] with Sainsbury's and Marks and Spencer's, Tesco and Morrison so those are the four.

I: Are they equally big?

GM: Sainsbury is or biggest and is always really our primary costumer and has been for many years. M and S is our next biggest and one that we are trying to develop now – we've got a good relationship with them. Tesco is one that we more recently have taken on board. It is quite hard to

be in this business and not do Tesco because they are so big, so scalable you know, everything you do is big. So they are important in terms of the overall make-up and the relationship is quite new with them so it is something we are developing at the moment. Morrison is one that we did not search out, it just sort of happened. They have an interesting history because they took over Safeway fairly recently and they sort of combined and it was always considered to be a produce supermarket but not one that we had dealt with much. Now we are in there and I suspect one day we will see them out here.

CA: And we've got [CDA?] in France, we've got Woolworths in South Africa and Avocados in Germany.

I: Are you shipping them directly to these retailers or is it through middlemen.

GM: Ok, we are currently marketing in UK through Flamingo. Within a year we will be marketing our selves because we are setting up our own UK marketing business and in fact that is going at the moment

I: How come that changed?

GM: I think that we grew over the last 15 years quite fast, I mean the growth curve is really sharp and we got to a point where we needed more control over our own destiny and I think that it is quite often the case that if the business is successful at some point you become… you know if you go to a third part for marketing you become their main part for their business and we hit that point, hit a ceiling where we felt that we needed to control everything that we were doing in Europe. And more and more people in the business including the [obs?] director Johnny Macmillan who is over there now, he has got backs of experience of dealing on the front end with the multiple retailers and I think that he felt confident that the board here was strong enough and knowledgeable enough to be able to move into the UK and that for us will be very good for the future because it will give us integration into the market and it will bend the ceiling. When you are here supplying through a UK agent you are not in total control and you tend to reach a ceiling where they don't really want you to grow any bigger. So now hopefully we will knock that ceiling out and we will be able to expand.

I: Can you tell us something about the contractual relationship that you have with these different buyers.

GM: There is really no contract. British supermarkets are notorious. They don't really give you a written contract at all. There is a sort of unwritten contract that is out there and they give you a set of standards that you have work to

CA: programme

GM: ehm, they don't even give you a programme

CA: at Flamingo

GM: Yeah, Flamingo is giving us. And then Flamingo will split that out among the various growers, like us – suppliers. But it's kind of a loose arrangement it is not a contractual agreement. So if for example they say we will buy…I think it is partly because of the nature of the food industry. If they

say we are going to buy 50 tons of fine beans of you every week. If they don't, we have got nothing. We have got no comeback at all. If they say we want 50 tons a week and we go fine you can have it and then we don't supply, we only supply 40 because haven't got enough we tend to get into big trouble. So it is quite a one-way street when it comes to the way the system is established with British retailers. Having said that it kind of works. We know what we have to do.

I: So how do plan?

GM: Ehm, the UK office will give us programmes. Every quarter they will up-date the programme and say we want this many fine beans from this month to this month. It is all done by weeks. Every week you get a set of orders. So the growing programme is weekly the orders programme is weekly. It is a juggling act and of course UK now is under snow so the whole place is […] to a hold and the orders have crashed because the last few days delivery haven't at all arrived on time so everyone is behind. And of course they couldn't have predicted that. That is really what I mean by the nature if the business that you have to learn to communicate loss with these retailers. Having said that – how is the relationship developed. No official contract they come out here every year and they go around and we meet and we show them the farms, we show them the crops we are growing for them, we discuss product innovation together – product development. So we will meet every year with their commercial departments about pricing. Then we will also meet with their technical departments and talk about new product development. Seasonal changes…

I: How do you do pricing? Do you negotiate?

GM: We have very long discussions with them. It is very hard. We tend to be… you know they wield an awful lot of power these buyers. You are very much under their control in some respects. I think what has been interesting in the last few years is that what has happened is that, there has been enormous on the growers all around the world and I think in particular here. Because of exchange rates. Exchange rates have been very difficult for us so we

I: Because of the pound?

GM: Yeah the pound

CA: Pound and dollar. The cross rate

GM: the pound dollar exchange rate I mean it moved from something like 1,74 dollars to pound to 1,40. And we were selling the same products to the same amount of money in pounds so we just suddenly had nothing. So that knocked into the red very quickly and of course one of the crucial things of this business from here is 45-50 percent of our costs is air freight. So if imagine that proportion 45-50 percent of everything all our costs in the whole group is air freight. And so when that exchange rate moves we will… It is a disaster unless it goes the right way for us. That was very difficult for us at the time.

I: Were you able to adjust the prices

GM: Ok yes, this was probably the first year ever that we have had to go to the retailers and say we literally cant supply, we are going to shut the door. And we are a big supplier – we are the biggest supplier of vegetables out of Kenya – Exporter 1 – so you know the directors went over and had

meetings in their offices in London and said we can't continue. Sorry we don't mean to be rude but you guys have got to allow us some price inflation. And in fairness there was some price inflation in some areas. Most people will say too little too late. There was minor price inflation in one or two areas but very minor. And considering the price rises we have had in labour – ten percent a year – air freight costs, fertilizers went up 50-75 percent over one year. In 2009 it almost doubled – ok it came down a little bit but inflation have been just absolutely wild. So in terms of how do we deal with them in pricing we push as hard as we can without over pushing it.

I: But you have the leverage to push them?

GM: ehm, they like to think we don't, we like to think we do. Ha-ha.

CA: Because it is more of a tug of war

GM: It is a tug of war. It is not very easy, in fact it is very difficult.

I: Can I ask why? You are the biggest exporter of Kenya. Why is it so difficult?

GM: They play the game that there will always be someone else coming behind us. So if we don't bow down to their superior authority they will find someone else to do it and we say hang on a minute. We have got all this land and we are growing all this products

CA: The infrastructure

GM: We do it nicely. We do a really good job, look at the quality of our product and they go, yeah ok the quality is quite good and we do like you, we just want to give it to us for less money. And the trouble is with some retailers that they keep employing every year or maximum two years a new buyer. So these young buyers come in and they think they are going to take over the world. And some of them realize that it is actually very hard because of course the previous buyers have all screwed you to the ground already. So you are trying to desperately getting to a point where you know, you are making enough money and they are making enough money and everyone is happy. And it's a very fine line. This business works on tiny margins. It's all about volume – it's a volume game. So it's tricky I would say, it's a very tricky business and you have to be extremely efficient here on the ground. You have to be constantly re-evaluating your costs, whether it is chemical input, labour, mechanization, modernization and packaging – reducing your packaging. So there is a constant search for efficiency.

I: Can we do the same about producers then here in Kenya. Can you explain your relationship to them?

GM: The thing is that we are the producer as well

I: How many percent do you produce yourself?

GM: About 90 percent. So the thing is that we are different to some exporters. A lot of exporters in Kenya buy products in from other farms or they sub-contract the growing to another farmer. Exporter 1 is I think the top grower. Because we own virtually all our land

CA: 3000 hectors.

GM: Yeah, we own around 3000 hectors which we grow on, where we have our own management our own staff we employ almost 8000 people in Kenya. And they are all ours that is all our people, that don't include our outgrowers. So it is very much a business which is built on our people, our systems, our control. And that has negatives because you have got a huge liability, but has positives that you actually build up a culture and you build up a standard of quality that you can continue producing over time and I think that quite a lot of exporters have not gone that way. They have said that they don't want the liability so their overhead cost, their infrastructure is quite simple. They can switch it off tomorrow almost. Whereas with us we are there for the long term. We are there for the long term in terms of investments in our infrastructure and in terms of the fact that we employ an awful lot of people. And it is a Kenyan company, it is no foreign company. There are a few foreigners in there doing stuff but generally it's very very much a Kenyan company for Kenyans. And it is one that relies, in terms of producers we are our own producers, but each individual growing unit is a business, a separate business. Although they are all Exporter 1 they have to control their own balance sheet. They have to make money basically and if they don't perform… we don't really accept having losers in the group that are going to draw the rest of the group down. So there is a constant communication and pressure on each member of the supply group. We have got three big farms really and each of those employ about 1000-1500 people. And they are our key growers. But then we have got various other farms. One that does only fine beans, one that does only runner beans and that sort of thing. And we spread them around the country, so we have got farms in Nanyuki, Naro Moru most of them are in Naivasha. And then the out grower schemes obviously you know about the Taita one, and then up north of Mt Kenya. So we have spread out all across the country to try to take advantage of all the different climatic conditions and spread the risk a bit.

I: So what is your relationship with the last ten percent – the outgrower schemes?

GM: The relationship is a contractual one. We talking about [leaky?] and Taita outgrowers really. Our relationship is that… we find an area which we think is going to be a good growing area. We do a lot of research to find out whether the people in that area want to grow. Then we have – it's a very simple contract really – but we have a contractual agreement where we will put certain growers in an area – farmers – into a group. So they will be affiliated with one group because that keeps in terms of management. You can then say within that group I will put in an agronomist or we call them TA's and there will be manager of some kind which will be a community manager of some kind that will be the leader of the group. So they have their own representative which they elect.

I: And they pay or?

GM: I think some of them do pay their elected representative. I'm not sure how that works. I think John would correct me on that in [mary?] but I am pretty sure they do get something.

CA: are you guys planning to go to the schemes in Taita? Yeah so you'll come to know how the whole thing works.

GM: So they have got their own leader who manages the group and then we provide technical assistance and we provide seeds, so we'll provide seeds and import it. And then advice whether its agronomy or all sorts of other advice.

CA: And we provide the trucks to collect the produce from the farms.

GM: And then we have the trucks as well.

CA: the idea is for them to get together and grown into a sizeable amount and maybe harvest two or three times a week so we can fill up a truck and then send it to Mombasa. Because we have got a pack house in Mombasa. We are trying to develop Mombasa because of the freight and everything so we are always expanding. There is good […] in Taita if things work out well.

GM: So that sort of works so that our transport comes in and picks up the produce when it is ready, delivers it down to the coastal, chill it. As CA says, Mombasa has been a project we developed a year and a half ago – two years. And it is to take advantage of freight rates and it is also another part of the country with different growing conditions again and farmers that are set aside from other farmers. It was slightly pioneering to go into that area, because no-one was actually in that area at the time. So we kind of started it from scratch and it seems to be going well. What you will tend to find around Kenya which is always a twist is that when you set these things up, as soon as you make success and people hear that it is a success a lot of other people will try and come in. And they will either come in and try to steal your growers or they try and get benefits from your investments. One of our interests is to try and make sure that where we do set up outgrower schemes we create some kind of loyalty and togetherness.

I: How do you do that?

GM: Well, it is tricky. When you talk to the outgrowers around the people there is plenty of people who have come in and they have slightly used the growers and at certain times they have probably got them to grow products and then when they come to buy it, they buy it at half they said they would buy it for. Or they wouldn't provide any inputs, they wouldn't provide any advice or they didn't have transport and just wouldn't bother. So it is about up building up trust between you and the grower. I think the reality is that it is tough. You must not be under any illusion about outgrower schemes it is very tough managing an outgrower scheme because. Whereas obviously with your own farm you can set up a standard and look after equipment and you can control your spray. Spray is a very big thing for us with these outgrower schemes. With 1000 of growers with one little acre plot, it is incredible difficult to communicate. And one of the things – we actually had a big meeting the other week – one of the things that we decided to do as a means of communication is to create a little farm book, It's what we are calling it. The little farm book will be – it hasn't come out yet. The idea behind it is – how do we get through to the farmer, all of them, each individual farmer – how do we make them feel a part of what we are doing. There is lots of ways of doing it and one is to go down there and maybe show them a Exporter 1 movie. Then it means that every grower, every farm – all those 8000 people – they can see the movie and see that we do flowers and veg and we export to the UK and what the cool chain is and how many technical people are involved. It is a big big chain and it's a big process to get it on the supermarket shelves. And the same thing really applies to the outgrower schemes that you need to be able to communicate to them directly. And we thought this little farm book could have a bunch of growing information so you could put in there; these are the chemicals you can spray and you can't spray. These are growing methods that we would promote. This is…ehm, there might be something about pests and diseases – ways of identifying them. Or perhaps biological ways of controlling them rather than chemical ways. And then with it we would have like a farm record of what inputs they have put in on a chart so they can record everything in the back of their book. And that would be their daily – like a diary – of everything that had happened.

So that is what we are aiming for and we have designed it at the moment and I am hoping that around January we will have agreed on the final design. And then we will get it out to all the farmers.

I: How d you do it now - the monitoring

GM: Well at the moment there is a piece of paper for all the chemical sprays. Under GG there are a lot of terms and conditions and standards and control methods and so on. So our team, our TAs basically operate with a GG head on and they are trained to know what we can and can't do. So in theory they go out into the field and they see every single farmer and then they impart their knowledge into each individual grower. As in if you spray this chemical – check the list – and if it is authorized then you have a withdraw period of four days before you can harvest and can do this and you can't do that and you need to notify on this and you have to record this. When you are spraying you need to wear proper PPE and so on. So there is a great long list of stuff that they have to think about when they are growing to GG standards. And the TA is supposed to do that. They also talk to them about… each grower has the information about the chemicals they can and cannot use. Then they have collection sheds where when they bring it in from all the little farms they bring it to one central grading shed and our truck comes to pick it up from there.

I: Is it your people that grade it?

GM: No, they do. Because we say, if you send us rubbish we'll get upset and we will not pay you. Because we can't sell it. Sometimes they do – trust me – it is difficult to control when you have got a 1500 people sending stuff in there is always one who will shovel rubbish in and it happens and you have to deal with it.

I: And how do you sanction them?

GM: If we know which farm it came from, which group and farm it came from which we should do because it is all labeled, then we send it back and say we are not paying for this. And pretty quickly they do, if you are saying you are not paying for it you hit them in the pocket and they will do it properly the next time. You have to be quite hard on it because the people will definitely take advantage of it very quickly if you start accepting rubbish they will just be piling it in – because it is all paid by kilo. So we are quite strict on it – strict but fair I would say. We are fair in that even when we cannot sell it we still take, we buy it and then if dumb it we dumb it. That is our cost.

I: So sometimes you'll give it back and sometimes you take it and dumb it?

GM: No, we only give it back if it is rubbish. But that is very rare.

I: But if you don't have any demand for it you dumb it?

GM: we dumb it and pay for it. And that is where some unscrupulous people in the past have not. And that is why when we go in and we say that we want to set up this group, some say – yeah yeah, we know your type. We have seen this before and the last time we did this we got our fingers burned. And people have had their fingers burned in the past. We are very straight forward in the way we do it. If we say we going to buy ten tons – you give us ten tons and we will pay you for ten tons. And if you give us 20 tons and I said we would buy ten tons I don't have to buy the extra ten, but if I sell then I will. But we are big enough – the thing with Exporter 1 which is good you see is that

we are big enough to absorb ups and downs. And we have got cold storage and facilities and you can usually ride the sort of peaks in supply.

I: So you said you have a planning programme in order for them to know how much you'll buy from them.

CA: No a planting programme

GM: So the way we would do it is that we would go out and we would say, right, I will give you five kilos seed and I want you to plant one kilo every week. That is all you have to do. And then every week if you are planting one kilo I'm expecting a hundred kilos back or whatever it is. And that is the agreement. And that is done within the group so each group will have say 50-60 farmers to 100 and one of them is 300 farmers so that group will have 300 farmers and the TA will go out to all of these farmers and distribute seed and then he'll do all his usual agronomy and then as the season goes on and we decide pull back, he will just go around and say we want you all to farm half a kilo and not one kilo the next three weeks.

I: And they do that?

GM: yeah. I mean it is not an exact science to be honest because some people will say, yeah I'll plant you one kilo and then you go around and they have planted carrots and cabbages and you say where is my sugar snaps – Oh no I'll do yours next week. So this is what I say when you are dealing with hundreds of farmers it's tricky. And it is all about good communication and from here we rely very heavily on people like [??] and there is John – he is a guy who

CA: John is the outgrow manager for Lekia Growers. And Vitales is the outgrow manager for Taita.

GM: Yeah, so these are our head men down there, they are our managers and they have a series of assistances that do all the running around on motorbikes and things. We just bought 7 motorbikes. So we provide them transport so that it is easier to.

I: So you said something about price before that you try to make it fluctuate. How does the farmer know how much he gets paid for?

GM: this is one of the toughest of all the things that we have to deal with – it is that there is a big group of brokers around Kenya. And I am sure it is the same all over the world. They tend to sell to brief case exporters, so they will go out and buy up whatever they can buy. And these are the ones that where I say you can have set up a really nice scheme and give the growers the seed and support and everything else, and they will go in and say, oh these guys are growing nice sugar snaps, give them an extra 20 shillings a kilo and take their stuff and flog it in Nairobi. So there are challenges in maintaining your own supply and maintaining the loyalty of your growers and also maintaining what is a fair price in the field. Historically the brokers have not paid a fair price but have sold it for a massive profit in Nairobi and have really made a mess of the local market.

I: They sell it in Nairobi?

GM: Yeah, they bring it to Nairobi and they sell it to all the other exporters. We are not the only ones with outgrower schemes but we are one of those that have a fairly controlled outgrower scheme.

The challenge is: Set a price in the field which is a fair price to the growers, which is a fair price to us and which the broker is not going to mess up by going in and offer an extra ten to twenty shillings, which is cash here and now. And this is the thing when you have got hundreds of growers in the bush. When they are sitting out there in the middle of nowhere and someone turns up and tells you, ok, I'll give you 20 bob more a kilo and you have got to pay school fee, buy some food. The little extra you might get from the broker would turn you to do that. And this is probably our biggest challenge I would say, bigger than the controlling of chemicals and sprays and so on. The loyalty thing is very very tricky and we are still working on it and the little farm book I was telling you about is one of the steps towards getting people on your side and make them understand that they are a part of something bigger and if they remain loyal then we can take their products twelve months a year. So we are not just going to dig in today, pay you a few bob and then run away. You are with us for the whole year. But it is tricky because a lot of Kenya is all about here and now and today.

I: Can't you avoid that by doing a contract with them?

GM: Oh there are contracts

CA: That is what we have done in Taita, we have got contracts

I: For one year at a time or?

CA: Yes every year.

I: Every year one contract? And that is on what – volume and price or?

CA: Only price. According to the programme yes

I: So they have one price for the whole year?

CA: Yes, and they sign it yeah. When you are in Taita you'll see and you can talk to them as well and the ABD can tell you how it works, because we are just about to renew the contracts with Taita as well. So we have just been working on the prices and everything.

I: How is that contract? Does it say that they have to implement the GG standard?

CA: Yes it is. So that you are tying them into something that they have to follow. Your protocol and your planting. Basically

I: How long have they been GG certified?

CA: Ahh, I can't remember. You'll need to talk to them on the details.

GM: I think it is less than a year isn't.

CA: Yes, maybe two years. Before we started Mombasa we had already got this.

I: Ok, talking about the GG can you tell us a little about when you started hearing about it and how it got implemented in the company

GM: Ahh, in the Exporter 1 group

I: No, in your in what you do here – both in the Exporter 1 group and the outgrower schemes

GM: Yeah I mean Exporter 1 started back in 1979. It was KC Patel, he was the man who set the business up originally, the founder and then he went into partnership with Barack Patel which is no relation but who is the main partner and who the MD now. And it started up as a small business in a shed exporting vegetables to the Asian veg market in the UK. And was a relatively small business until the point they got involved in doing supermarket business direct out of here. And ones they joined force with Fischer Food in the UK and supplied them to the supermarkets it just took off and they had exponential growth for about ten years and after the Albert Fischer Group collapsed they joined forces with Flamingo whom we are with now in terms of marketing. And that has been going for about since 2001 – nine years – and over that time it sort of diversified and what started up as and gradually worked into a prepared business so now we are almost half and half, premium and prepared, and the prepared part is a very different operation, much higher level of complexity and protocols and technicalities and then now we are able to put together any vegetable that they want in Europe. And grow it at our own farms and transport, cool chain processing here and have it after processing at the self at approximately 36 hours in the UK. So that's how it looks at right now. In terms of numbers I would say roughly 7500-8000 people employed, 11 farms now, plus out-grower schemes. We export 250 tons a week, which fluctuates a bit with seasons. UK is 80 % of everything and the other 20 % is South Africa and France. Avocado is Germany. Within the UK I would say it's a bit of Kenyan structures in the supermarkets. Very sort of […]. And over the course of the last 8 years the flower business is developed.

CA: It's more 4 or 5 years.

GM: So it's very recently we have gone into flowers and then over the last two or three years it's has just taken off exponentially. We are probably now the 3rd biggest flower exporter in Kenya and we are doing about 3 million […] a week of roses. And that's been a really complementary and it has supported the veg business through some very rough times when we had that volcano disaster. It was a disaster, it was absolutely mayhem and we all lost a lot of money. That was a challenge and then we have got the exchange rate disasters over in the last two years and over the end generally speaking last of two – two and half years has been the hardest ever in history of the business. But we are still here. And what we have done is to become a bit leaner, to be tighter on things, to be cleverer, to innovate, to mechanise and in doing all that we have introduced [Kisan]

I: What?

GM: Kisan, you know that Japanese, so continuous improvement, it's literally all about lean efficiency. Cutting out costs.

I: GlobalGAP, when did you introduce that?

GM: globalgap, I think started about 5 years ago. 4- 5 years ago. I only started here three years ago, so I'm not sure when it started, but when the GG was, the supermarkets adopted it

CA: three years ago

GM: As soon as they adopted it, they said we want this standard, it was a bit like fx. The brc standard that we adopted about 15 years ago. GlobalGAP is pretty much the same, the moment they say, here you must all be GlobalGAP. So GlobalGAP is a standard which we approve of. Because it doesn't say: don't spray, it only says spray appropriately. And be disciplined and record what you are doing. Which is fantastic for us, because the way we operate across all our farms.

I: Did you change, the way you spray ets.?

GM: definitely. It changed everything. It changed the way we operate. It changed the control in the operations. Well not to say that there wasn't any control. There was but it was less guided. I think you can have control and you can record everything, because you are particularly organized, but when Gg says; you still need to be particularly organized, but you can only use this, you can't use this and when you are recording we want to see this and this. Not just this, we want to see all of this and so, and then it goes deeper and the guys who goes in to do training and they need to wear the right cloths and they need to wash out the spray probably so they don't mix them.

CA: the farmer get discipline, the farmer knows I have got to do this otherwise I lose out […]

GM: that's right. The good thing is actually is that it's a single standard, so what we do on our farm with 500 hectares, he does on his farm with 2 acres and that for us is everything. Because when we say to our customer, saintsbury in the UK fx., we can say: no, we don't spray that, and yes we do record this. And they say oh we picked up your bag yesterday, this is the code, we need to do this trace back and say oh ya, that product came from that outgrower scheme on that day, and they say: ok, we want to see the spray records from that field, so then you have got the spray records because it is there. It wasn't before, especially for the out-grower schemes – they didn't keep records. If there were any insects on it, they would just spray it you know. So now it's easy, it's actually controlled and we can actually trace back.

I: So how did you implement at farmer level, the out-grower schemes, the globalGAP

CA: We have a team of technical assistance, they went round by farmer, and by group. They were working on it and they implemented it the whole process. So we have a whole organized team. Headoffice, TA, always talking to each other, the technical auditors they travel around,

I: So there is a lot of costs involved in this, who pays for all the training, the equipment?

CA: for taita, Exporter 1 paid, ABD paid, ABD supported us, they put in an extra amount. And stuff like that, we pay for the salaries of the TA, we pay for the salaries of […] I can't remember everything off head but there, we got a lot of support from ABD.

I: Would you have done it without the help from ABD?

CA: No, wwe wouldn't have, believe me is was like, when we first arrived in Taita it was a difficult thing, like going around, and I think because ABD had the experience and they had been around in the region, they were quite, already well-informed what this farmers are about and what they can do and how to deive them. They sat up the whole meetings and arrangements and everything, which would have been very difficult for us without ABD.

I: So if you didn't have the help from ABD you would just have eliminated your farmer, out-grower scheme in Taita?

GM: then we would have farmed it our-selves on our own.

CA: well ya, if we didn't have the help,maybe we wouldn't have been successful, the way we are right now. Their team knew about how to around, they really guided us well.

GM: I think it is a communication thing, being able to get out into the schemes, I mean, it is very very time consuming and in that respect quite expensive to set up in the first place. I think once you got it operating probably, you can start over, everyone is making money, so then everyones happy, then everyone is […] with something in. If it's training or whatever. But I mean, I think the initial establish is quite hard, because there is a lot of training that goes in to it. Most people they see insects on their plants and they just spray it, they don't really think about what the spraying, has to be tightly controlled to gain the crop. And so that is a big deal. I think also an initial establishment of a team is important, there is training involved, which also takes time and money, we gotta train the TA probably there gonna be proper training courses, the gotta have transport, they gotta have mobiles. This is what we find in the schemes, you gotta put in, if you fo it to simplistically, it will sort of collapse around you. You will still be able to get products off them, and you could still distribute seeds and collect the pieces. The problem is, it's not controlled. And the moment you loose that control there is so many things that can go wrong. MRL levels are the big thing at the moment, and people are detecting MRLs in Europe. You know that's the next biggest thing after controlling loyalty. How do you make sure that people genuinely don't go down to the local shop and by that chemical.

I: How do you ensure that?

GM: Honestly, you can't. Because you can't. You got a 1500 farmers, and you can say to all of them, you know you are a great chap, we really thing you are a good farmer, here is your system, do you agree to work to our standards? Yeah yeah, we agree. And now you know you can only use this spray. And that's authorized by a british supermarket. They will go yes, all agree. And then he goes to his local shop and buy something else at half the price, which is not on the list. You will never know that he has done that unless you test his products. We started to do more regularly testing now for MRLs. We have to send it to Europe to get a good proper result and it's very expensive. It's costing us about 100 punds for one sample.

I: How often do you do i?

GM: well, we have started to it more often now, we are taking, I think this month we are taking 15-20 samples. It's expensive but what can you do. You have to. We have decided now, […(pest)] is one of the problems. He (CA) is being the positive, I'm being the negative, it's one of the things which is a challenge and so when you talk about: how do you get proper controls in place. It's purely communication and education. And I don't know yet what the best way is to educate the schemes. But it's the only, but we have got to get to that place, because in Africa no one cares if there's a chemical in their cabbage. In Europe people do care now. So, we have got to be the once that change people's behaviors and we got to educate people. And quite often you might be educating people who don't know anything about chemicals and have absolutely no idea. They probably didn't do

schooling to a very high level, and some of them might be illiterate and can not even read the bottle. So the point we got to try to get through to them and that's one of our missions.

I: So if do a test and find to high a level of MRLS?

GM: stop collecting

I: From that particular outgrower schemes or that particular farmer?

GM: initially the group, it depends. We are trying to decide what's best policy. If we can be very accurate on the farm, which we can't always be – that would be great, because then we can say one farmer, we will stop you, but you can't always be that accurate.

I: Will you stop the person permanently

GM: we will stop the group initially, because you do got 9 group or 10 groups, and say your group has broken the rules. Sorry, you have to have some control within your group, if you don't have control, discipline within you group, I'm going to another group. It's hard, but I think in the future that's as simple as I can be. Because, I'm convinced that if we don't hit this on the head now, you know, basically the whole Europe forget it. They will go elsewhere (import from other countries). We are actually close to that I think. You know, because France has almost shut down Kenya, Germany,

I: Why?

GM: MRLs

I: Why are UK still in?

GM: UK are in the edge, I mean there has been quite a lot of detections, over the last year or so. And, I think the old fashion way was that you could get away with it. The new way is GlobalGAP. And if you say i'm GlobalGAP, people will test you to see if you are going globalgap. And when they test it, they find all this chemicals, they will say no, not interested.

I: what kind of information do you receive from Europe?

GM: everything, daily, we have massive communications. Regarding this, if they find chemicals, they do regular random testing, we get all our products tested, everything all the time, and it's quite regular. They often find chemicals, but they will this is just on the edge of the EU MRL, so you are ok, we just want to report that there has been spraying on that crop, so we will go back and check it and find out what was done in that block, but if you are over, there is all hell spade, they say: what's going on.

I: So how are you sanctioned from the buyer in Europe? Do you get sanctioned?

GM: no no, this sort of detections that we are looking at are quite normal. It's sort of minor, a detection is not necessarily over the limit. It's just a detection. So they might detect certain chemicals. So what they aer saying is that we have detected this and this and you need to investigate. And we usually come back and say, yes that's correct. And now we have withdrawn the

crop. What you are seeing is a residue level below the limit the legal limit. They will tell us to watch out, and they will do more testing. And send us the bill.

I: they want change exporter?

GM: not usually, there are usually warnings. It depends on how seriously it is. If it's a very serious illegal chemical, yes, they would probably say we don't want that product from you. They will punish you. And I think that it's a trend that we are seeing, and I think that it's one of the challenge that we gonna face with the out-grower schemes. And particular, how can we control, when it's an out-grower scheme. So how do you control those labourers. The reality is you can't not control them completely. But what you can do is you can educate, you can train, and you can pursued and you can cut of suppliers. Training is really big – it's education. I think that's where we ought to go out and say, can somebody help us and do this training, it's massively time-consuming and also what level do you start? And if you start training from scratch, do they get what you are trying to tell them. And whether they understand the bigger picture which is beyond the barriers of Kenya. That's for some people is just too difficult to comprehend really.

I: so by having these out-grower schemes you take a lot of risks?

GM: yes, we go acutallly. I mean to be honest, yeah, I think it's much easier to do it in-house.

I: why don't you?

GM: there are time where we turn around and say, why do we do this? And then there are times where we say no, we should do ethically, we think it's the right thing to do. You know I think that, we sat up a business here and we have this big plots of land and we are happily trading and then these guys are out in the bush and they are struggleling to make living. And it was a choice to go out there and say alright guys, we will help you get organized into groups, you will have to do this for us we, will do that for you. And you can grow a product that we don't want to grow on our farms. So it's a benefit to us. You got to put in a good rotation. A lot of the products that they will grow, like sugar snaps and [..] they grow in a special rotation which they do on their farms, that wouldn't necessarily fit in to some of our farms, because of the types of products it is.

I: So you need them?

GM: yes, we do. If we didn't, I mean if it was all going hardly wrong – we would just stop exporting that product. We grow this on our farm, but in a smaller rotation. But the volume that we want, menas that it's useful for us to have them to grow. And so, it works for everybody. If, they work to the standard. If they follow the strict standards, then we don't have a problem.

I: how has it been difficult to implement this standard? What kind of things do they do different?

GM: Brokers are a big challenge, chemicals – big challenge, training – it has been a big challenge, to get enough training, so they actually understand what we want. Quality, seasonally, quality is a big problem, when it rains we get all sorts of quality problem, you know we get lots of black spotting on the piece during the rains. Regularity, is a problem, because a lot of the out-growers are working on rain fed fields, so if it doesn't rain they don't produce, whereas we are all on irrigation so we get 12 months supply. Those are the really big things that have caused us problems in the out-grower

schemes. And I think everytime we go, this is too much, we can't do this anymore, always you get to that point, we really want to do this really well, we want to improve and improve, and we can't get there fast enough. We always sit down and say, no, we gonna do it. We are gonna improve and gotta solve that in this way and that this way, hence the discussion on the farm book. It's one more little way that we hope will have an impact and we will get better results. We gotta do more training, we don't do enough training, we should communicate better, we need to test them, we need to be harder, sometimes on them – which we are not honestly. So we need to test them more and we need to be harder when things go wrong. So they understand it's carrots and sticks, they will, we want them, we need them, they need to need us as well, if they don't need us, then they don't bother. Then the relationship does not work. It's a two way thing. Once you get that two-way thing working well, it's great. Provided you get some dissent weather in Kenya. Which is the big unpredictable.

I: How do you think that the next five year will look like? In terms of your company and in terms of keep on implementing the globalgap standards?

CA: Next five years will be very tough. In terms of globalgap, I think it's gonna be a challenge and like GM is saying it will be training and training and training and there before it really set in the farmers head it can not take off. I think we gotta take the challenge and make it happen. And that's the only way to look at it if we want to make.

I: As a business person, you are implementing this standard in your business, does it mean that It is easiesr for you to switch buyers and to negotiate better with them? It should improve your position.

GM: by doing what?

I: by implementing the standard

GM: everyone has is. If you are supplying a British supermarket you have to be GlobalGAP. If you don't have GlobalGAP then they don't want to trade with you. It's like a minimum standard that the British supermarket will accept.

I: so why don't you change and supply to Europe, and then you can negotiate a better price with the UK?

GM: a lot of Europe has is, the French expects it, Germany expects it

CA: We don't wanna make any short cuts, so we have set our minds and if you need to train you need to train, you need to invest, we are looking to opportunities, if we have an option and look at secondary markets, it would be like looking at alternative, like taking a step backwards and that's my feeling.

GM: the thing is, because I think the globalgap standard has become the minimum requirement, I think you just do it atomatic. And if you don't do that, of course now, if you look at all the standards, you have got globalgap, you have got flower once, kenyagap, Kenya flower council, fairtrade of course is another one, there is a lot of standards now which are in addition to globalgap, so fx veg to marks and spencer, they also have a field to fork standard, so that's similar but a little bit of higher hurdle, and saintburys has their standard and tesco has their TMF, which is tesco food manufacturing

standard. And then you have the same on the flower side. All these big supermarkets they have these standards which you have to do every year, we do the gg, we do the BRC, plus we do the supermarket standards. You see the audits we have in a year, you would think we are mad, it's incredibly time consuming, hence we have team, we have a full time internal auditors and trainers, who are top top level you know, these are really top paid guys who train the trainers. So we have lots of little trainers, and then have some senior trainers who train them and then they go to the group and it's constant. It's 365 days a year that these guys are out there training within the group, and that includes the out-grower schemes, because that's part of what they do. But it's, it's a base level. You can't go gg you are not even in the running. Gg is a starting point and then you have to say what can you do to really improve stuff. What can you do to improve peoples' lives, what can you do to improve your efficiency or profitability and that stuff.

I: so you say that you have some difficulties implementing your standards out-grower schemes, do you have the same kind of problems in your own group?

GM: No, it's easy

I: because you have control?

GM: because we have controls, we employ them, that helps. They are paid at the week or month. It's easy when you are employing people, and also it's easy when it's your land, that whole boundary on your land is fenced, it's controlled, everything is controlled and you can switch it on and you can switch it off and you can have rules, and everyone listens to the rules and they follow the rules, and if they don't they are out, instantly. Everyone knows that if you don't follow, especially with chemicals, it's so sensitive, it's the cost, we are really big on control on our farms. We can't really on the out-grower shcemes. But we have massive [...] banks where we grow insects and we have wormeries which are acres of wormeries where we grow and we make compost. In our group we are very very big on biological improvements on the land and reduction of chemicals. So when you have an out-grower who doesn't care it's quite hard to be, no, we are gonna be positive about it, we are gonna back in and train and change this and that. But it's coming. Do I think it will work, yes I do – in the long-run. I think that we need to put more in to get more out. And the long-term is, if you think bigger, if you are thinking of Kenya, Kenya needs to be and is, for the long-term, supplying food to Europe. Because of the climate. We can supply 12 months of the year, there is vertically no other country in the world that can do that. We are probably the only one that can do that. Maybe Guatemala just. And that's is unik and so what we need to do is we need to train people in how to do this probably so we don't get cut off from supplying Europe. That's the bigger picture and that's much bigger than our out-grower scheme it's actually on the boundaries on our own scheme. In terms of our input, we tell people this is our minimum standard, if we have this standard we will be the chosen supplier for Europe.

I: can I ask you something, in theories and projects on gg and smallholders in Kenya it's been said that in the beginning when gg was introduced the big suppliers they dropped their smallholders and kept to big farms. Have you seen the same development?

GM: it doesn't surprise me.

CA: it's difficult, initially there was a difficult phase, because you see the thing you are dealing with out-growers so you, you have the control, but you don't really have the control. So that's where the big point is.

I: so did you have more smallholder, like 5 years ago and then you implemented gg and then?

GM: yes, we had 4000-5000 and we now have 1500.

I: So you dropped all of them, kept to your own farm, and then started the out-grower schemes?

GM: yes, and in fact some of our own growers across the country are not gg yet, they are coming in to gg. So it's a training and time and investment. You know what you do, is that what you say I'm gonna start here with you you you, this group we gonna train and then when we are ready and they have trained enough now we are gonna do an audit and we will put you on the scheme and so it's not an instant thing by any means. It's definitely a long-term development. And this was what we talked about last week: how do we get these other schemes in the north, and probably I would be taita as well. How do we get more of them on gg? Because when you start, you start with one, and if you are happy with that and they do the job well and stick to the standard, then you move to the next one.

I: Do you think that you will reach the same level of farmers as previous, like 4000 smallholders?

GM: no

I: what do you think then?

GM: I think we will stick to 1500 hundred, don't you (CA)

CA: 1500 hundred and if we go to [Killigap] then another 500.

I: kenyagap?

GM: [keligapo] just under the [abadese] so that's also […farming] area

CA:[.,…]

GM: so that's maybe 2000, honestly, I think realistically, 2000 is enough. It's a headache. If you were looking for the easiest option you wouldn't do it. You just wouldn't do it. And you know if you had the land and you had another option, you would take that.

I: if you had the land?

GM: if you had your own land and the right area and you could the same thing, you would just take that option. I think. And that's one of the big dilemmas, a lot of them know that, so some of the out-growers they don't, they are not interested. Some of the smallholders are not interestedin getting into a scheme. Cause they know they can still sell their products to somebody else. Somebody who doesn't care.

I: Don't they get more money? By being part of your scheme?

GM: not necessarily, it's up and down you see. One day they can get more, one day the get less, I think they get abused really from these schemes. (ved ikke helt hvad han snakker om)

CA: like Taita is fixed prices

GM: A lot of the ones in the outskirts, that are not in a shceme, i think they get abused by people who come a say I will buy this. And then they disappear. And a lot of people have lost a lot of money on that. It's better to have it slightly controlled and that's the future. And it actually works well for us with the Mombasa. There is potential there, I still think there is potential for expansion in the taita region and maybe into other product groups. Maybe baby corn, and other products.

I: can they not be used as a marketing tool that you are using out-grower schemes and helping small farmers?

GM: yes, we definitely use that, that's part of our CSR. It's part of our ethos, which it is, I mean yes you use it, because if the supermarkets come can say use small poor farmers, and we go, yes we do. But then they say: why are you doing it, we say: we actually think it's right. And I tell them straight. Honestly I rather not do it, somethimes, but we want to do and we gonna do it. And we will do it probably, but sometimes I think this would be easier if I grow this crop myself. But it's part of our policy and we are determined to make it work successfully. And it can work. It's just not easy. It's really important that supermarkets understand that it's not easy as well. Because sometime they think, we should be buying more from the little farmer. And I say fine, go do it – you are on you one. We will do what we can, and we will do it properly. I wouldn't want to do it uncontrolled, the moment you start doing uncontrolled it's mayhem and then you can't guarantee anything.

I: one of the things that we are looking at is the financial sustainability of the gg standard with smallholders, do you think that at some point we be financially sustainable for them? Or will you also keep having to the cost of training, certifying, monitoring.

GM: honestly, yes I think. Ok. There must be examples around the world of smallgrower schemes who got big enough to do their own gg and market their own products to other people. And maybe, it is possible that they could get together and be cohesive enough to work together as a team. Near future, doubt it. Long-term, yeah maybe. I would love to think it could happen, Uganda for example they tend to work very well as cooperatives, but then Uganda doesn't have very many large farms, it tends to be lot and lots of small plots. The cooperatives market together as a growers groups. And that's there. So I feel confident that it can work here. It's a quite divided society though, it's too small and they can't supply enough volume. I just don't think people would be interested. It's gotta be big enough, you go in there and they say we can supply you x tons per week, once it starts getting up to tons, you start to get interested. So it's possible.

To be honest, that would be brilliant. You do your own gg, you control all you gg schedules, you can supply me. I will pay you more for having done that.

I: you will pay them more for having done that?

GM: yes, absolutely right we would. If they could control themselves and do all the training and all the gg and all they do is sell to us. We would pay them more.

CA: […]

GM: it's like if they were working as a group farm and they worked with gg, we would have to audit them, to check if they did it properly and it's not some scam. But provided they were audited properly, and provided gg standard products, and they just sold it to use, we would definitely pay more. 100 percent. I think the only reason we go in, is that no one has got all this. They don't have the training, they are not cohesive, they don't know about growing really, you know our products, they haven't got a collection point. There is so many things that they need to get the basic standard gg. Most of them are way below that . So we will bring them up to that level. If they could run on there own, I think it would be fantastic. Absolutely fantastic. We would support that 100 per cent. If someone can in and sponsored that, we are going get these guys up to a point where they are running on there own, fantastic. Then you have got the headache.

Ha hah. I still get the products.

I: you have answered a lot of our questions.

GM: good.

I: really good.

GM: I think it's fascinating how it (gg) will have an impact many places, will they go on their own, I hope they will. We don't want to have to continuously be spending time doing that. It will be great if we could say we will buy from out-grower scheme and that out-grower scheme. But we are not constantly having to give inputs. Sometimes it's sarisfying, sometimes not, It's nice to think that you have brought someone up to a level where they are operating on a higher level. But really, it's not just that rewarding. The rewarding bit is that you, that's your contribution isn't it? To society, ethically. Morally, and everyone likes that. But I thinks it's got a way to go across the whole country. The thing is the population is growing so fast, a lot of these farms are going to be used to grow food for Kenya, so I think exports are going to become less important to the local people.

I: do you know kenyagap?

GM: yes, its basically the same thing.

I: when you certify these out-grower schemes, do you certify the group in itself or do you certify them through you as a company?

CA: We certify the group

I: so on the certificate, will it say Exporter 1 and then the out-grower

GM: yes. Does it say Exporter 1 on it?

CA: yes, taita is Exporter 1.

GM: I mean that's good.

I: Is that to ensure that the farmers will sell to you?

GM: well I haven't really thought about that. But I guess if we have put it in the place in the first place. That's an interesting one.

I: it is a pretty interesting part to our research.

GM: I just think that we are in a very early stage in this country and right at the beginning of this certification think I would just send Kelly who is our internal auditor to Uganda, last week, he was there for 5 days and auditing against the gg som ginger growers. Because we want to buy some ginger from them. And every farm he went to they said what is gg?. The whole of Uganda. No one had a clue of gg. They are 15 years behind us. But it will happen. And it might even happen with us, because I want my ginger. It's really good quality and now we import it from China to brittain to Kenya, packing it, and sending it back to England. Because it's gg. So gg has the negative, having to import it all the way from china because there is no gg products anywhere near here. Nut now I found the Ugandan who are organic, but they are not gg. They said yes, we don't mind doing gg, and said you have to be very very strict on your controls. It was a useful trip, because I think that in the end he will go back and he will set them up. And then we will have our foot in the whole in Uganda with our first Ugandan gg.

CA: it is a stepping stone

GM: so that's how it starts. I guess it starts with people like us who gg is nature. So we can just role that out to another out-grower scheme. Because that' all lout-grower in Uganda.

But there is a long way to total independence when it comes to running their own. Becasuse the internal auditing function is really important, understanding, the whole team, that that's the standard we operate to. And we know how to audit ourselves so we can also audit other people.

That's another level. You might have the standard, but how do you audit yourselves? Do you understand auditing at all? Most people don't.

8.3. APPENDICES ON CD-ROM

The GlobalGAP standard is a food safety standard developed to regulate production processes at farm level. The main aim of the standard is to ensure that all agricultural products by certified producers are handled in a manner safe for the end consumers, the producers and the environment. The GlobalGAP standard affects the terms on which the trade between the different actors in the horticultural value chain takes place and has consequences for the upstream actors in developing countries such as Kenya. Two case studies conducted in Kenya constitute the main empirical foundation for this dissertation's exploration of these effects on Kenyan exporters and smallholders.